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Alan K. Browne

"MR. MUNICIPAL BOND": BOND INVESTMENT MANAGEMENT, BANK OF AMERICA, 1929-1971

With Introductions by
Lois Swabel
Wendell W. Witter

An Interview Conducted by
Malca Chall
in 1988

Underwritten by the Endowment of the Class of '31
University of California at Berkeley

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ALAN K. BROWNE
1984

PREFACE -- Alan K. Browne

On the occasion of the 50th anniversary of our graduation from the University of California, the Class of 1931 elected to present to the University an endowment for an oral history series. Titled "The University of California, Source of Community Leaders," the Class of 1931 Oral History Endowment provides an ongoing source of funding for oral histories by the Regional Oral History Office of The Bancroft Library. The commitment is to carry out interviews with persons related to the University who have made outstanding contributions to the community, by which is meant the state, the nation, or to a particular field of endeavor. The memoirists, selected by a committee set up by the class, will come from Cal alumni, faculty, and administrators. Those men and women will comprise an historic honor list in the rolls of the University.

To have the ability to make a major educational endowment is a privilege enjoyed by only a few individuals. Where a group joins together in a spirit of gratitude and admiration for their alma mater, dedicating their gift to one cause, they can affect the history of that institution greatly.

The first fruit of the Class of 1931 Endowment was the history of our beloved president, Robert Gordon Sproul, told by thirty-four persons who knew him well, which we presented in November, 1986 to the University of California in memory of that man and of our class.

The second selection was Mary Woods Bennett. A life-long resident of Berkeley, our Class Speaker, a Phi Beta Kappa, who earned both her B.A. and Ph.D. degrees at Berkeley in psychology, she went on to a distinguished thirty-nine year career at Mills College, first as a professor, later as dean of the faculty.

The third selection was Alan K. Browne. Alan Browne was a major figure in the local and national banking community, having moved up the Bank of America's corporate ladder from messenger in 1929 to senior vice president, Head of the Bank Investment Securities Division, which post he held at the time he retired in 1971. He was also a very active community leader. Most notably he served as the president of the San Francisco Chamber of Commerce, as president of the San Francisco Stadium Inc., the group that found backing and support for Candlestick Park; he chaired the commission that put together the transit plan that led to BART; and he was a member of advisory groups, boards, and local and state campaign committees too numerous to list.

Alan Browne served as president of the Class of 1931 from 1985 until his unexpected death in 1988.

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Growing up in Berkeley, California; Berkeley fire, 1923; freshman and sophomore years, University of California, Berkeley; career with Bank of America, 1929-1971: Elisha Walker proxy battle; A. P. and Mario Giannini; bond departments, Bank of Italy, Bankamerica Company, and Bank of America, marketing bonds; federal policies on tax-exempt and revenue bonds; bank personnel policies; civic and community service: San Francisco Bay Area Rapid Transit Commission; San Francisco Stadium, Inc. (Candlestick Park); San Francisco Chamber of Commerce; World War II service in the Adjutant General's office.

Introductions by Lois Swabel, treasurer, UC Berkeley Class of 1931; and Wendell W. Witter, investment securities broker.

Interviewed 1988 by Malca Chall. University of California, Source of Community Leaders Series. The Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

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INTRODUCTION by Lois L. Swabel

To those young people who grew up in Berkeley during the early decades of the 1900s, Berkeley was a very special place. The University of California was there; the University was the central axis of the Town of Berkeley, and its presence nurtured a sense of quality, culture, and pride for the citizenry, particularly for those young people. In return, the University assumed the stature of a fatherly neighbor. The University's activities--lectures, exhibits, concerts, dramas were open to all, and the sports especially drew everyone to the campus. Thus was engendered a mutual respect and affection between the Town and the University, which was readily absorbed by those young people.

Alan K. Browne was one of those young people to grow up under the beaming light of the Campanile. His father, Ralph Stuart Browne, a graduate of the Class of 1900, had moved his family from Alameda to Berkeley with the fond hope that his three sons and daughter would someday study at the University. Three of them did!

Alan, always a good student, was a natural leader and an organizer as well. These qualities appeared early when he was caught up in all types of school activities. At Garfield Junior High School he was a track star and, according to the school annual, *The Gleaner*, he was listed as its "Joke Editor." At Berkeley High School he was a "Big B" man having been on both the football and the track teams, and in 1926 he was graduated as president of his senior class.

Alan's enrollment at the University was a natural sequence of his early Berkeley years. As a freshman he joined Phi Kappa Sigma fraternity, continued his favorite sports of football and track, but at that time was undecided as to his major course of study. Would it be science or economics? This decision was to be made for him when in 1929 the Stock Market Crash interrupted his studies, and his future moved from Berkeley to the financial district of San Francisco. Here he began his banking career as a bond clerk for the Bank of Italy--later to become the Bank of America.

Unlike many students who left the campus due to the Great Depression, never to return, Alan remained close to his University and his Class of 1931. As soon as he was able he became a Life Member of the California Alumni Association and in time served on the Alumni Council. He joined the Peninsula Alumni Club and there directed his energies to his special interest, the Alumni Scholarship Program. In 1970 he became associated with the California Berkeley Foundation and served as a trustee of the foundation from 1975 to 1980 and was a member of the foundation's Awards Committee from 1980 to 1982. In 1984 he earned the prestigious Wheeler Oak Meritorious Award for his

distinguished service to the University. In addition, he was a member of The Friends of The Bancroft Library, the Faculty Club, and was a lifetime major donor to the University.

Early in 1979, with the Fiftieth Reunion of the Class of 1931 approaching, Harold Kay, M.D.--another of those early Berkeley young people--was named chairman of the campaign to raise funds for the class gift to the University. Harold and Alan teamed their considerable talents, assembled a Gift Committee of some seventy classmates to decide what the gift should be. The committee sought a gift of substance which would continue into perpetuity. The decision was made to set up an endowment for the Regional Oral History Office of The Bancroft Library so as to provide continuing funds for the recording and publishing of oral histories. The endowment was to be titled: "THE UNIVERSITY OF CALIFORNIA, SOURCE OF COMMUNITY LEADERS."

The campaign for the class gift began and the first quota set was achieved in time for the Fiftieth Anniversary Reunion. On November 20, 1981 at the reunion luncheon with more than 350 classmates in attendance, a check for $150,000 was presented to Chancellor Ira Michael Heyman. At that time the class voted to make this Endowment Campaign a lifetime commitment and as of April 1989 the total endowment stands at $255,090.

Since the Class of 1931 was the first senior class to be graduated under the administration of our new University President Robert Gordon Sproul, Class of 1914, the endowment committee stipulated that the first history to be published under this fund would be a history of our beloved president. The Robert Gordon Sproul History was completed in 1986 and on November 20, 1986 the two-volume history was formally presented to the Sproul family at the Fifty-fifth Reunion of the Class of 1931.

At the November 1985 meeting of the Class of 1931 Council Alan Browne was elected class president following the death of our first president, L. Stern Altshuler. Alan inaugurated a unification program for the class in order to bring its members into closer contact and to become a more effective instrument in serving the University. He rewrote the bylaws, reorganized the finances and records, and outlined a substantial and ambitious program for the future.

A challenge was always an opportunity for Alan Browne, and when he and his wife, Betty, moved to Rossmoor, the adult community in Walnut Creek, he found another challenge. There was a great company of California alumni living and thriving in Rossmoor, but only a small group of Bear Backers were active. They sponsored an annual Big Game Rally which brought out more than 200 alumni, but there was no formal organization. With Alan's urging and assistance this group of Bear Backers organized and became the chartered California Alumni Club of Rossmoor in 1986. In 1987 Alan was elected president of the club and in

1988 the club, with more than 300 members, was honored as one of the two outstanding Alumni Clubs of the Year.

An introduction to Alan Browne would not be complete without an introduction to Betty, his wife. All of Alan's accomplishments from the time they met carried that special touch of Betty's spirit and enthusiasm. When Alan was named to head the Bank of America's Investment Department, he chose Betty Henrotte to be his special associate and secretary. This combination not only made the department work, but it inaugurated a true romance and a lifetime of sharing. In 1942 they were married, just as Alan was leaving for army officer training in Texas, and they were separated until 1943 when Alan received his commission at Fort Washington. From then on, theirs was a closely shared union--every interest, every activity, every challenge, and every success was etched with Alan's acumen and Betty's affection and support. For those who knew Alan and Betty, they might well have called Betty "Alan's Back-up Quarterback."

Alan was a tenacious collector. His den-office was a harborage of lifetime memorabilia--a collection of remembrances of classmates, associates, friends, events, awards and celebrations throughout his eventful career. He was also a constant letter-writer, always keeping abreast of present and past associations. His working and personal files were copious beyond belief, though these reminders were often unneeded, as his memory for facts, figures, and friends was flawless. His list of working priorities was unending, a list on which the University held a top spot. Of all his interests, none was more heartfelt to Alan than his University.

Although Alan Browne spent but two years on campus as a student, he spent a lifetime on campus as one of the most loyal and faithful California Blues.

Lois L. Swabel
Class of 1931

1 July 1989
Walnut Creek, California

INTRODUCTION by Wendell W. Witter

Alan Kingston Browne, also known as A.K., Al, or Brownie, and I became acquainted at Berkeley High School. He was in the graduating class of June 1927. I was graduated in January 1928.

Alan was a tall, slender, and muscular athlete who was a member of the track team as a broad jumper. We went down to Palo Alto together where he participated in the Northern California Interscholastic Federation track meet in the Stanford Stadium. I was along as sports editor of the Berkeley High School Weekly News and as a cheerleader.

Alan was a determined type of individual and a good competitor. His family had met some reverses during his early high school career when their home burned to the ground in the great North Berkeley fire of 1923. Like Phoenix he rose from the fire although I feel it influenced his life. He was a sensitive person, but he did not like to be crossed.

Alan went on to the University of California at Berkeley where he again participated on the track team. Following the Crash of 1929 Alan left the University to go to work, hoping to return, but his life moved in other directions. Our paths didn't cross again until after I had graduated from UC Berkeley (1932) and entered the investment securities business in June 1933 as a sales trainee with Dean Witter & Co. in San Francisco.

Our next contact came shortly thereafter when I was sent to the Bank of America to take delivery of Dean Witter & Co.'s participation in the first underwriting of the Golden Gate Bridge and Highway District, General Obligation 4-3/4% serial bond issue of which Bankamerica Company was the managing underwriter. At that time, Alan was the manager of the underwriting syndicate for Bankamerica Company.

Alan's investment career started with Carl Raiss Co. in 1929 and Bank of Italy in 1929-1930 which became Bank of America. Alan joined Bank of America Co. in 1939 which became Bank of America, N.T. & S.A. in 1941. He headed the Investment Division until he left the bank in 1971 as Senior Vice President, Investments.

During his business career Alan became involved in many organizations and projects such as serving as president of the San Francisco Chamber of Commerce. He was an organizer with boundless energy and as a leader was inclined to take over. Some thought he had an ego but it may have been his impatience with those with whom he disagreed.

We were both members of the San Francisco Bond Club which he had joined in 1935. In 1954, as its president, he rejuvenated and reorganized the club. I was his successor.

Alan was recognized as a leader of the municipal bond business in San Francisco as well as nationally. His activities in the California Group of the Investment Bankers Association led him to becoming a governor from 1963-1965 and head of its Municipal Bond Division. Later on, due to the Glass-Steagall Act, a conflict of interest developed between banks and other-than-bank members with the result that most of the bank members withdrew from the I.B.A.

After Alan left the Bank of America N.T. & S.A. in 1971, he moved to New York to join Drexel Firestone, which later became Drexel Burnham Lambert. On returning to San Francisco in 1974, he sowed the seeds for the founding of the No Future Club, an organization to bring retired and semi-retired individuals from the securities business together for occasional luncheon meetings and to exchange views on current topics of interest.

Alan continued his loyalty to his alma mater, the University of California-Berkeley Alumni Foundation and to his class of 1931. He eventually succeeded Stern L. Altshuler as president of his class and was influential in establishing the oral history program through the class endowment raised for their fiftieth reunion.

Wendell W. Witter
Class of 1932

1 September, 1988
San Francisco, California

THE NEW YORK TIMES

Friday, August 12, 1988

Alan K. Browne

Alan K. Browne, 78, A Banking Executive

Alan K. Browne, a retired bank official and an authority on tax-exempt bond issues, died of congestive heart failure Saturday at his home in Walnut Creek, Calif. He was 78 years old.

Mr. Browne was senior vice president in charge of the investment securities division of the Bank of America when he retired abruptly in 1971 after raising more than $10 billion for the bank's clients since the end of World War II.

He criticized the bank as abandoning a public service role for what he saw as an undue emphasis on profitability, a charge that was denied by the bank's management even as his departure was regretted.

Mr. Browne, a native of Alameda, Calif., joined the bank in 1929. He was a graduate of the University of California at Berkeley.

Active in civic affairs, he was chairman of the San Francisco Bay Area Rapid Transit Commission in the years the rail system was built and was president of San Francisco Stadium, Inc., which built Candlestick Park.

Mr. Browne is survived by his wife, the former Elizabeth Henrotte.

SAN FRANCISCO CHRONICLE

Thursday, August 11, 1988

Alan K. Browne

Alan K. Browne, 78, former senior vice president of Bank of America and a leading figure in many San Francisco and Bay Area civic enterprises, died Saturday in his Rossmoor home in Walnut Creek.

As the dominant figure in municipal financing in the western United States when he headed Bank of America's securities division, Mr. Browne was often referred to as "Mr. Municipal Bond."

In the civic realm, he was regularly tapped for top roles in important projects.

He was president of San Francisco Stadium Inc., the nonprofit entity that acted for the city in the construction of Candlestick Park. He was chairman of the Bay Area Rapid Transit Commission that drafted the transit plan that voters ultimately approved as BART in 1962.

"Alan was always right there whenever you needed him," said San Francisco attorney Marvin Lewis, who recruited him to the rapid transit commission when BART was a gleam in a few visionary eyes.

Mr. Browne was elected president of the San Francisco Chamber of Commerce in 1958.

Mr. Browne's 1971 departure from the Bank of America after 40 years created considerable public stir. In newspaper interviews that received national attention, he criticized the bank, once known for its sense of public mission as well as profit, for becoming "much more oriented toward profitability" at the expense of its public service role.

He remained active in a variety of roles with other companies and as a consultant. He served on the board of the California State Teachers Retirement System and was a member of a presidential advisory committee on federal debt management.

He was past president of the San Francisco Bond Club and the Municipal Bond Club, and a member of the San Francisco Olympic Club, Pacific Union Club and Engineers Club. In 1958 he was chosen "Outstanding Investment Banker of the Year" by the San Francisco Bond Club.

A native of Alameda, he was a graduate of the University of California at Berkeley and was a life member of its alumni organization. He served in the Army during World War II, attaining the rank of major.

He is survived by his wife, Elisabeth L. Browne of Rossmoor.

There will be no funeral service.

INTERVIEW HISTORY -- Alan K. Browne

Documenting Alan K. Browne's forty-two year career with the Bank of America and his widespread civic activities had long been a goal of the Regional Oral History Office. He was known as "Mr. Municipal Bond" throughout the investment banking industry and in the San Francisco Bay Area as one of its most prominent civic leaders. The opportunity to get his story arose in 1988 when he was selected as the third memoirist in the Class of 1931 oral history series.

Although Browne became alumni president of the Class of 1931 and was founder and president of the UC Berkeley Alumni Club of Rossmoor, he did not graduate from UC Berkeley. Like so many others who were unable to afford college after the Crash of 1929, he left the university at the beginning of his junior year and went to work full time as a clerk in the bond department of the Bank of Italy--later the Bank of America. He moved steadily through the bank's bond department hierarchy, ending his career in 1971 as senior vice president and head of the Bank Investment Securities Division.

As if managing a department with hundreds of employees, plus the additional pressures of handling a major investment portfolio and daily trading transactions worth billions of dollars were not enough, Alan Browne found time for innumerable important time-consuming civic projects, all of which taken together might have worn out an average man.

Alan Browne was not an average man. Handsome, a physically imposing 6 foot 2 inches, usually carrying about 250 pounds on a large frame, he moved through life with seemingly inexhaustible vitality. He was intelligent, gregarious, and deeply committed to excellence in his work at the bank and his many and varied community endeavors.

Interviewing for the oral history began on May 25, 1988, following a get-acquainted planning conference on May 13 to assist in the background research for his oral history. Recognizing that he would eventually be an interviewee, Mr. Browne had gradually sent to the Oral History Office updated biographical data on his career with the bank, his community interests, his organizational memberships, and his speeches to industry and civic groups. He had also submitted detailed and well-documented histories of the bank's bond investment departments from the 1930s through 1970s. One envelope contained some 185 letters sent to him following his resignation from the bank.

This material became the framework for the first four of our six interview sessions. At that time we decided to leave discussion of his early retirement from the bank and his post-retirement activities to a

later date and concentrate on several of his most absorbing civic activities. It was then that I discovered that Alan Browne was an inveterate collector of historically valuable memorabilia. For our upcoming interviews, he gave me folders on Candlestick Park, BART, and the Golden Gate Bridge which nicely augmented my research in the library of the California Historical Society, and UC Berkeley's Transportation Studies Library. Shortly thereafter I received a large carton holding the history of the San Francisco Bond Club. Still later, on July 19, 1988, when we had nearly completed the interviews on civic activity and were ready to return to the subject of the bank and retirement, he presented me with three cartons full of his general correspondence with movers and shakers throughout the United States, with files of newspaper and magazine articles about politics and banking; with memos, correspondence, and miscellaneous data relating to his career with the Bank of America spanning the years 1933 to 1971. Included were many pages of handwritten or typed essays covering every private or public organization with which he had had some major or minor connection. He placed these cartons in the trunk of my car from which they were transferred to the upstairs study of my home.

I was overwhelmed by this newly discovered research potential as I prepared for the next scheduled interview on July 26. When on Saturday, July 24, Betty Browne called to cancel the session because Alan was going out of town on business, I was relieved. I continued research, now preparing for the rest of the final round of interviews scheduled a few weeks later. Sadly, Alan Browne died peacefully in his sleep Saturday, August 6. We had completed only twelve of a possible sixteen interview hours.

Besides the loss of a friend, I deeply regret that we were unable to discuss Alan Browne's decision to retire from the bank, his two years in New York with Drexel Firestone, later Drexel Burnham Lambert; his duties as trustee and vice chairman of the investment committee of the California Teachers Retirement System; and his tasks as a member of arbitration panels for the New York Stock Exchange, and as a consultant for numerous government agencies. Fortunately, his collected papers will be deposited in The Bancroft Library where they will be available for research. Selected samples have been inserted throughout the volume wherever relevant to the discussion; some have been placed in the appendix.

The weekly interview sessions took place in the living room of the Browne home between two and four in the afternoon. Mr. Browne sat comfortably in his large red brocade upholstered "wing" chair, speaking easily about his past, rarely forgetting a name or date. At the end of the session, sipping diet colas, we talked informally about upcoming interview subjects or our mutual concerns as board members of our respective homeowners associations.

In addition to accumulating memorabilia hidden away in closets, Alan Browne collected Japanese prints and had received as gifts five prints of American sailing ships, a large one of the *America* he especially treasured. These could be seen throughout the home tastefully decorated with some antique furniture from the Browne family home. Mrs. Browne, after greeting me, would either leave the house to carry out errands or go upstairs to work on some activity of her own. Since her husband's death she has located pictures for the volume and helped with the spelling of names. It didn't take long after meeting Betty Browne to realize that she had been an asset to Mr. Browne's career, an asset he was proud to acknowledge in his oral history.

While by far the major research material for the interview came from the Browne papers and from the speeches which he had a few years earlier deposited in UC Berkeley's Institute of Governmental Studies Library, I tapped other sources for information: telephone interviews with Russell Smith, longtime cashier of the bank; with Orville Wilson, former bank archivist; with UC Santa Barbara Professor F.A. Bonadio, author of a biography of A.P. Giannini. Bank of America employees/officers Duane Heaps and Duncan Knowles in the Organizational Communications Department, and Jaye Hyer in the Legal Department Law Library made it possible for me to spend one day in the bank's headquarters reading through a stack of the in-house publication The Bankamerican and perusing one carton of previously selected papers pertaining to Alan Browne's career.

Alan Browne's untimely death required revising the usual procedures by which the Office completes an oral history volume. We were unable to check the spelling of names or clarify inaudible words or phrases. Therefore, in order to determine the accuracy of the many persons named by Browne I pored through the Bank of America memorabilia, and through organization letterheads. Occasionally, a name was spelled two ways on official papers. I contacted the personnel department of Transamerica Corporation; I called an expert on automobile history to ascertain the spelling of Jeffery, the car driven by Alan Browne's father when he took his children daily from Alameda to Berkeley while he was building the family home on Arch Street. Betty Browne and Leo Babich came to the rescue with a few names.

The following method was devised to alert the reader to remaining editorial problems:

1. If an important word or phrase could not be heard with assurance, it was placed in brackets followed by a question mark.

2. If a word or phrase was probably correct, it was put into brackets without a question mark.

3. If a word or phrase could not be heard, it was omitted and the word inaudible was substituted.

4. If the spelling of a name could not be verified, it was followed by a question mark.

Alan Browne had selected Wendell Witter, a long-time friend and banking industry colleague, to write the introduction to his oral history. Mr. Witter graciously accepted the task. Lois Swabel, Class of 1931 treasurer, and also a long-time friend and neighbor of Alan and Betty Browne, was asked by the Class of '31 to write an introduction which would deal with Alan Browne's work for the class and the University. These two introductions provide other perspectives about Alan Browne and his place in the history of Berkeley, the University of California, and the banking industry.

This oral history and the attendant papers offer researchers a fascinating and candid view about many facets of business, banking, political and social life in San Francisco, the state of California, and even Washington, D.C. It is a worthy addition to the oral history series on the University as a source of community leaders, the project established by the endowment gift of the Class of 1931.

Malca Chall
Senior Editor

1 December 1989
Regional Oral History Office
486 The Bancroft Library
University of California at Berkeley

August 1, 1984

ALAN K. BROWNE
1113 Singingwood Court No. 6
Walnut Creek,Ca. 94595
Home Phone (415) 944-5691

EXPERIENCE

1929-1971 BANK OF AMERICA NT&SA, San Francisco,California

1966-1971 Retired as Senior Vice President, Head of Bank Investment Securities Division (BISD)

Responsible for managing bank's investment portfolio

Directed investment Banking operations, Guided back office operations, investment research, financial consulting, marketing programs and governmental finance relations. Reported to the Vice Chairman of the Board.

1970-1971 Member Money Policy Committee. Committee responsible for review of all matters pertaining to the financial affairs of the bank. Accountable to the Executive Committee of the Board of Directors.

1970-1971 Chairman of Bank Investment Securities Committee of the Money Policy Committee.

1964-1971 Member Trust Investment Policy Committee. Committee responsible for developing trust investment policy for the Trust Department and supervision of its pooled funds. Accountable to the Trust Committee of the Board of Directors.

1946-1971 GOVERNMENTAL RELATIONS - High level representation of the Bank of America NT&SA in Federal, State and local governmental relations. Acted as consultant and advisor to key officials, departments and committees. Maintained liaison with regulatory agencies.

1971-1972
1974-1986 CONSULTANT - Private consultant in the field of governmental finances and fixed income securities clients other than individuals included:

National Water Commission
Puerto Rico Bankers Association
Advisory Commission on Inter-Governmental Relations
League of California Cities
California-American Water Co.
California Veterans Administration

1972-1974 DREXEL BURNHAM LAMBERT, New York, N.Y.
Senior Vice President, Director and Member Executive Committee. Head of Fixed Income Securities, Drexel Firestone prior to merger with Burnham & Co. (1973) Director of Drexel Burnham & Co., Inc.

PERSONAL — Born: November 12, 1909, Alameda, Ca.
Married: No children

EDUCATION

1914-1926 — Public schools - Alameda and Berkeley, Ca.

1926-1929 — University of California, 1929. Majored in Economics

1930-1942) Stock Exchange Institute
1946-1960) American Institute of Banking

Occasional lecturer:
Stanford Graduate School of Business Administration
U of C Graduate School of Business Administration
Wharton School of Finance, University of Pennsylvania

MILITARY SERVICE

1942-1946 — Served as Private to Major, AGO

STATE OF CALIFORNIA

1959-1963 — Governor's Commission on Metropolitan Area problems - Commissioner

1967-1968 — (Governor's) Citizens Advisory Tax Structure Task Force - Vice Chairman

1974 — Department of Veterans Affairs - Consultant

1954-1974 — Advisor to State Treasurer:
Charles G. Johnson, Ronald A. Button,
Bert A. Betts, Ivy Baker Priest

CURRENT ACTIVITIES

Golden Rain Foundation - Rossmoor-Walnut Creek, Ca.

Vice President and ~~Director~~ Trustee of this Non-Profit Public Benefit Corporation. Member of Investment Advisory and Audit Committees

District Administrative Building Corporation, San Francisco, Ca.

President and ~~Director~~ Trustee of this Non-Profit Public Benefit Corporation (Bay Area Quality Management District)

California Muni Fund - New York, N.Y.

California Tax Free Money Fund - New York, N.Y.

Director of the two Funds organized in 1983

New York Stock Exchange - Member Arbitration panel.

National Association of Securities Dealers, Inc.
Member Arbitration panel.

California State Teachers Retirement System
Trustee and Vice chairman Investment Committee *

CLUBS AND
ORGANIZATIONS

The Olympic Club, San Francisco
Merchants Exchange Club, San Francisco
Stock Exchange Club, San Francisco
Faculty Club, Berkeley
San Francisco Bond Club
Municipal Finance Forum, Washington, D.C.
Municipal Bond Club of San Francisco
San Francisco Municipal Forum

California Alumni Association - Past Council Member
U.C. Berkeley Foundation - Past Trustee and
member of Audit and Investment Committees

*Changes in pen requested by Alan Browne in 1988. Lengthy detailed biographical information written by Alan Browne has been placed in The Bancroft Library with the Alan Browne papers.

I FAMILY BACKGROUND AND EDUCATION

[Interview 1: May 25, 1988]##

Parents, Grandparents, and Siblings

Chall: I wanted to start, now, to get your family background because it gives us kind of the measure of the man--knowing something about how he starts out. You were born in 1909, in Alameda, and spent most of your life in Alameda?

Browne: No, we moved from Alameda in 1916 to Berkeley.

Chall: I see.

Browne: So, that period of time was Alameda, then Berkeley, and Berkeley up until World War II.

Chall: That's why you weren't in public school, except for a few years, in Alameda?

Browne: It's an interesting point. It was Haight Elementary School, and it's no longer standing. And the strange thing is that it was named after the mayor of Alameda who also became governor of the state of California [Henry H. Haight, 1867- 1871]. His grandson lives in Rossmoor.

Chall: Can you tell me a little bit about your past? Your mother had a French name, Bouvé. Was she of French descent?

Browne: On my grandfather's side. Bouvé, that is a family name. It's come down from New England. My grandfather on my mother's side was a ship captain. My mother was born in San Francisco and, in due course, they moved to Berkeley. And, as you can appreciate, he was originally a captain of a sailing ship, and ultimately a steamship. It was standard practice in this area that, when they

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##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 237.

weren't sailing, they would reside on the shore and enjoy their life, raise a family, and then go back to sea again.

That's the story of Alameda because so many retired ship captains lived there. But on my mother's side, they came to Berkeley. And, on my mother's side, her mother's family name was Cushing; that's a long line of history back to New England, too.

She went to Berkeley High School.

Chall: Your mother?

Browne: My mother, yes, she graduated Berkeley High School. As a matter of fact I have the year book for her last year, which has survived.

Chall: Let's see, your mother was a Cushing?

Browne: Yes. Bouvé, but her mother's name was Cushing.

Chall: Is that part of the famous Cushing family in the northeast?

Browne: It's part of the famous family, but they were Protestants. Cardinal Cushing is well known in Boston, who is Catholic. But this is another line of family. It goes back to the Sons of the American Revolution, all of the background.

Chall: I notice you were a member of Sons. Did that come through your mother's family?

Browne: That's right.

Chall: That's Sons of the American Revolution. So her father was a ship captain, and he was an American.

Browne: That's right.

Chall: And his father was the Bouvé?

Browne: That's right. He was the Bouvé. And they have typical names: Claudius and Sylvanus and that sort of New England approach.

Chall: It goes back quite a long way. French?

Browne: French Huguenots. The family has some recognition in Boston. As a matter of fact, I think there's a school at Tufts, which is the Bouvé School.

Chall: I guess she had a pretty solid academic background, your mother.

Browne: She did. She had two brothers and two sisters.

Chall: Did she go beyond high school?

Browne: No. As a matter of fact, she met my father when he was in the university. And from that they were married.

Chall: Now, your father was Ralph, and I notice that he graduated in the class of 1900 in Berkeley?

Browne: Right.

Chall: What kind of background did he have?

Browne: Well, he was born in Japan.

Chall: Oh.

Browne: And there's some haziness about the exact year. I've been trying to trace it. But, to begin with, his mother and father were married in New York State, spent their honeymoon at Niagara Falls, came across the continent in one of the early trains, shortly after the Golden Spike, to San Francisco. They sailed from San Francisco, touched at Hawaii, and went on to Yokohama. My grandfather was a member of the consulate corps. My father was born in Japan. And, whatever happened to my paternal grandfather, I don't know. We've tried to trace him through Japanese sources.

Shortly afterwards my grandmother and father returned to San Francisco. And they lived in the south part of San Francisco. Subsequently, my father went to Lincoln Grammar School and attended Commerce High School; graduated. My grandmother remarried an individual by the name of, I think it's John or Frank Herrick, from Maine. And they moved to Castro Valley.

In due course, I think Herrick passed away. My grandmother and father moved to Alameda. My grandmother had a very large piece of property, which was split. So, ultimately, my mother and father had half the property, and my grandmother had half the property.

It was a real old piece of property because it had a tank house on it, and it had one of the old original barns on Pacific Avenue. I've never been back, but people have told me it's still there. My father built a new place, and my grandmother was in an older place.

But, when his family moved to Castro Valley, my father, I guess, was bent on going to the university. So he went to Hayward High School to make up his differences and graduated from there.

Chall: Why do you think your grandmother picked Alameda? It's kind of out of the way, in a sense. She came from New York.

Browne: I can't tell you too much about it, but she, apparently, liked the idea of the climate. Alameda is a very sleepy town. And, typical New Englander, she invested in real estate, and she invested in mortgages on property in Alameda and Oakland across the estuary. So that was a part of her background. I don't think there was any other reason for it.

Chall: Was she married to Herrick for a long time?

Browne: No, that was a relatively short period of time. He was an older person, typical of the time. A widow was looking for support and the widower is looking for someone to keep his bed warm, and that was the way it was.

Chall: Then she had no other children, just your father?

Browne: That's right, single child.

Chall: Now, you said she was a New Englander, but your grandparents were married in New York State. Where had they come from?

Browne: My grandmother came, I believe, from Brockport, New York, and that's up near Lake Erie. And my grandfather had to come from the same region. We've been unable to trace this. We have the date of birth from a census, but not particularly any details as to where he actually lived. So the Browne side of the family is kind of obscure.

It would [not?] have been difficult to trace it because, Browne with an "e". My father would tell me that the family was of Scotch descent. His name was Ralph Stuart Browne. And the Stuart was always passed on to the elder son; that was the original clan. So my oldest brother was Donald Stuart Browne.

Chall: So they went to Yokohama. That was quite an exciting trip for them.

Browne: Yes. My grandmother was a very interesting person, and she used to talk about Japan and the Japanese and, even when I was quite young, she said, "You have to understand them because you'll never appreciate how they react to living." She brought back

from Japan untold treasures of oriental art. My grandfather, having been in the consulate corps, was also in the import/export business, and it was sort of natural. But, unfortunately, it all went up in the Berkeley fire.

Chall: Oh, so none of these prints that you have on your wall are from her treasures?

Browne: No, none of those. I have been able to find these from various sources.

Chall: The Berkeley fire. In whose home were these pieces of art?

Browne: The Browne family home; it was on Arch Street. Originally the address was 1614 Arch, and then they changed the addresses after the fire and it became 1630. It's still there.

Chall: That was a sad loss.

Browne: My father had an interesting approach to school. He had contracted malaria and he had to be in convalescence for a long period of time. He was [inaudible] which also created a problem, so he took off on long trips. And I think this is what interested him in mining. So in his career he became a mining engineer and a metallurgist.

Chall: Did he contract malaria while he was a young boy?

Browne: In the San Joaquin Valley.

Chall: Well, let's see, I haven't really got very far with him, then. He lived in Castro Valley, and then he graduated from Hayward High, but the family had moved, his mother and he, actually moved to Alameda.

Browne: That's right.

Chall: And then he went to U.C. Berkeley?

Browne: Right.

Chall: And what did he do there? He graduated in 1900. Did he go right straight through his four years?

Browne: He did it in three years.

Chall: In three. And then what did he do?

Browne: He did like almost all of the young people did in those days. In

the mining field you went to some well recognized organization that would employ you. First there was the Redwood Manufacturing Company which was well known as the supplier of the lumber for mines and for assay wash and so forth. And he worked with and for Louis Janin.

I think there's a study that the library has on the Janin family.

Generally, if you went to work for Janin, it was a means of being placed in some position in the mining industry. They were apparently noted worldwide. My father used to tell us the story that he was instrumental in sending Herbert Hoover overseas.

Chall: [laughs]

Browne: That's right, Hoover was also a part of the Janin family, and my father was in the personnel side and there was an opening, so my father urged him [Hoover] to go. My father could have gone, but he had a family that he was raising so he elected not to do it. He had really no personal contact other than identity with Herbert Hoover. That was part of the story.

Chall: I see.

Browne: So, from there, he continued to be a consultant who was an assayist. He ran a mining newspaper and did other things, and finally retired.

Chall: Your father?

Browne: Yes. He retired too early.

Chall: Was he always with the Redwood company?

Browne: No, he just did various and sundry things.

Chall: But, at what point did he get into the San Joaquin Valley?

Browne: That was before college.

Chall: Oh, before college. Just, doing what?

Browne: He used to take trips, road trips. And another one of his great activities, which happened during this period, he rushed off to the Klondike. He was in the Klondike Gold Rush, yeah, that's right.

Chall: [laughs] He was an adventurous person.

Browne: Well, he was adventurous, and, I guess, his mother, my grandmother, was very helpful to him. Even built a sailboat for use in the San Francisco Bay. And when the call of the Klondike came, he had the boat put on deck and taken up to Alaska.

Chall: He did it the easy way.

Browne: It was put over the side and he sailed off and was shipwrecked.

Chall: Oh.

Browne: So he had a very harrowing experience up there. He said, "It's too difficult to extract any of the gold from the tundra because the soil was frozen." But he had some interesting experiences. Being shipwrecked was something.

Chall: He filled your young life with lots of stories.

Browne: My father had a great career in this area, but he admittedly retired too early because World War I and World War II and the Depression sort of caught up with the family finances.

Chall: I see. How old was he when he retired? Do you know?

Browne: When he retired? He would have been around thirty.

Chall: Why did he do that?

Browne: I think he was looking at his mother's property in management. And she, being a single person at that time, needed the help.

Chall: Oh, yes.

Browne: And so it was his outlet.

Chall: So he was thirty. That was even before the Depression.

Browne: Oh, yes.

Chall: But not before World War I?

Browne: No, that would have been before because he was born in 1872-'74. That's the difference there in the record.

Chall: So it was really in the early 1900s?

Browne: That's right.

Chall: And, in fact, shortly after graduating from college.

Browne: Yes. One of his last positions was typical of the mining industry. If you're interested in extraction of gold ore there was the cyanide process which is a new process. Where so much gold ore had been dug out of various mines, the tailings were left. So the idea was to take the tailings and run them through the cyanide process and extract the gold that way.

And so, on his honeymoon, why, my mother and my father were at a mine site in Nevada, and this is how I got my middle name, which is Kingston.

Chall: Really?

Browne: I wasn't the first to be born. Anyway, the Kingston Canyon and the Kingston Mine in Nevada, which is outside of Jackson, was where they spent their honeymoon, and that's how my name came.

But he was extracting gold from the ore.

Chall: As a private entrepreneur?

Browne: That's right. And that's quite a challenge to have a young bride in the dead of winter in Nevada.

Chall: It certainly is. You mother must have been pretty hardy. [laughter]

Browne: [laughter] So, it was after that period of time his interest declined. He used to do consulting work because of his specialty in metallurgy. And generally that meant going out and getting samples of ore and testing them and developing whether there's any value.

Chall: I see. Well, there were plenty of people having to do that, I'm sure. But, other than that, he took care of the property. So, he married your mother and they eventually moved into a place in Alameda.

Browne: He built a house right next to my grandmother.

Chall: Right next to your grandmother on the family property?

Browne: Right.

Chall: You really grew up knowing your grandmother quite well, I would guess.

Browne: That's true because it was just around next door. So it's interesting.

Chall: Yes. Now, how many children were there? I know you had a brother and a sister. Were there just the three of you?

Browne: I have two brothers.

Chall: Two brothers?

Browne: Right.

Chall: Okay, tell me about them. I know about Donald. He graduated in the class of 1927. And then, there was another brother?

Browne: Raoul. He took his own life in, let's see, around 1940.

Chall: Oh.

Browne: Never could figure out what happened to him. He had been married for a short period of time. But he was the middle son and seemed to have a lack of balance. It was a very disturbing thing.

Chall: Always a lack of balance, or just at that time?

Browne: Well, no. Just, I think, in his last couple of years. One has to read the history of the time because the great Depression had come home and my father lost a bundle. First of all, he lost his business in 1906 in the fire and earthquake.

Chall: Your father had lost a business? What was that?

Browne: It was his assaying business.

Chall: He'd lost it? He wasn't able to pick it up again?

Browne: Well, after the fire what would you do? His property was gutted, just ashes. And, to start over again--. I guess this is where he became more interested in taking care of my grandmother's property.

Chall: I see.

Browne: He tried for a while to run it in Alameda, but it didn't work out too well.

Mining was a very tricky business, or profession. There weren't very many places in the world where you could be gainfully employed because they're mostly major operators of mining properties. And that generally meant going overseas--Latin America, China, Australia, South Africa. And these are the places that, when he was associated with Janin, they were sending

young mining engineers. So he sent them but he stayed home.

Chall: Let's see, you had Donald and Raoul. Who came first in the family?

Browne: Donald.

Chall: Donald was number one, and Raoul was two.

Browne: I'm three. My sister, Patricia, she came quite a bit later. She passed away after World War II from a brain tumor.

Chall: Oh.

Browne: Very tragic, again.

Chall: She was quite young at that time.

Browne: That's true. She was in the class of '43 at Berkeley.

Chall: She died soon after graduation.

Browne: Well, got through World War II, married, and then passed away two or three years later. It was a long, lingering illness. It was unfortunate.

Chall: How close in age were Donald and Raoul and you?

Browne: Four years with Donald, two years with Ray, Raoul, we used to call him Ray for short.

Chall: Donald and Raoul were...

Browne: They're two years apart. So I was four years younger than my brother, Donald.

Chall: Okay.

Browne: And two years younger than my brother, Ray.

Chall: And then came Patricia, later. What kind of expectations did your parents have for their children?

Browne: Great expectations. One of the reasons that we moved to Berkeley from Alameda was my father wanted to be close to the campus. We spent two years in Berkeley schools, while my father was overseeing the building of our home in Berkeley. We still lived in Alameda. He took us out of the Alameda schools to attend the Berkeley schools. So every morning at eight o'clock we would

Above:
Ralph Stuart Browne
Class of 1900

Right:
Patricia E. Browne
Class of 1943

tootle over to Berkeley and be deposited and take off to our schools.

I went to Hillside Elementary School, my brother, Ray, went to Oxford Elementary School, and my brother Don went to Garfield Junior High School. So then we moved up the ladder from there.

Chall: When you say tootle over, how did you tootle in those days?

Browne: In a family car, yes, a breed of car that you hear about once in a while. It was a Jeffery. Jeffery was a forerunner of many other cars; it was a big car.[1]

It was kind of interesting because each of us grew up with different friends in school. And we were not, at that point in time, living in Berkeley. So then, when we finally moved to Berkeley, then we began to associate with the neighborhood, but we had already established our contacts, which was kind of interesting.

Chall: You were, what, about fourth or fifth grade about that time.

Browne: I think I came in at the third, and then my brothers would be fifth and seventh the way they split it up. It was an interesting challenge because of the difference in the Alameda schools and the Berkeley schools.

Chall: Were they different?

Browne: Yes. I thought the Berkeley schools were superior. And, environmentally, they were different because, Alameda, being a flat island, you weren't aware of the differences. And Berkeley schools were more environmental. I think they're designed to fit into the landscape, where in Alameda they weren't.

Chall: Well, that was a challenge. So then your father would take you home at the end of the day?

Browne: That's right. We'd line up and go on our way. And so, literally, we grew up in the atmosphere of the university. Most of the neighbors were associated with the university--professors, associate professors, teaching fellows, and their children. And a great many of our family friends were part of the faculty and we used to see each other in that capacity. So it was a real

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[1]Thomas B. Jeffery. Began business as Rambler Co., 1902-1913; then Jeffery Co., 1914-1917, in Kenosha, Wisconsin. Charles W. Nash bought Jeffery Co. in 1916; became Nash Co. in 1917.

challenge.

And my father had access to the university in many different ways. One of his classmates, a good friend, was Professor [Walter S.] Morley, the head of the mining department. So he would use the laboratory facilities for testing and whatever. And their children were our friends.

It changed a bit after the Berkeley fire because many of the professors and families had to move, but many of them returned. And then the whole environment of that area changed from a single family dwelling type atmosphere, became multi-family apartments and such things. And the older, larger ones ultimately were converted to room and board for students. But, you see, the devastation of the fire, it just took all the major homes out.

Chall: The brown shingled homes?

Browne: That's right. The wind was a great carrier of those flaming shingles and created more of the problems.

So that was the expectation. My brother, Donald, aspired towards mechanical engineering and electrical engineering.

Chall: Did he achieve that?

Browne: He did, but to no great professional status. He was just capable at it.

Brother Ray was miscellaneous.

Chall: Did he graduate?

Browne: No. He finished high school and that was it.

Chall: And what did he do to make a living at that time?

Browne: For the most part he worked for motion picture companies in San Francisco. And then, later on, worked for a lithograph and label company and specialized in photographic work.

Chall: I see. He had some artistic flair?

Browne: Yes, he did. He was a good tennis player; he was a fairly good athlete.

Chall: I see.

Browne: My brother, Donald, was great in photography because that was my

father's hobby, and that occupied a lot of his time in retirement, and it brought him back to the university. He taught in the Extension Division.

Chall: Taught photography?

Browne: Yes. He used to contribute to many of the magazines that are on the subject. And he specialized in color photography at a time when it was just beginning to start out.

Chall: Well, he had lots of great abilities.

Browne: He had a lot; unfortunately, I don't think they all materialized.

Chall: Was there a religious background in your family? Is that something that your parents cared about?

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Chall: Sunday school?

Browne: We went to Sunday school, and we went through the proper steps. But after a period of time it became less important. We changed churches for convenience. The Presbyterian church my mother went to was over on College Avenue, way across the campus. So we conveniently went to the Congregational church; it was a couple of blocks away. Then my mother ended up going to Christian Science church. But it was not a major input.

Chall: It was just a matter of being in church, or having some kind of affiliation, nothing hard and fast, because there is quite a difference between Presbyterianism and Congregationalism.

Browne: That's right. One thing about the Congregational church near us in Berkeley; the attraction was the Boy Scout troop that was located there. And we, at least in my case, became very active in scouting and it was because of the church. Sometimes our teacher in Sunday school devoted most of his time telling us mystery stories. [laughs] He was a real personality in Berkeley. He was well identified. He was an Australian, and his background was William Baden Powell, and all that good stuff. But he had quite an influence on the boys in the neighborhood.

Chall: Was he the scoutmaster as well as the Sunday school teacher?

Browne: Yes, that's right, it was dual capacity.

Chall: What was his name?

Browne: Percy Shelley.

Chall: So you were a Boy Scout. Did you go far into boy scouting?

Browne: Not too much, because I became involved in athletics.

Chall: In high school?

Browne: Yes. And scouting was great, but you couldn't spend all the time at it. It was great for weekend hikes and other affairs, but not to become an Eagle.

Chall: It would take a long time. You, I suppose, went to Berkeley High School, there wasn't another one?

Browne: Yes, it's the only high school in Berkeley. I don't think they changed, it's still one school.

Chall: And how was that as an experience?

The Berkeley Fire

Browne: Well, it was an interesting experience because the Berkeley fire occurred just before going to Berkeley High School, so it was a matter of adjusting to a new home and new friends and a new location.

Chall: Did you move far away, I mean, further away from the school, from your Arch Street neighborhood?

Browne: My father was in San Francisco at the time of the fire on business, and my mother and I were the only ones at home. I had run home from junior high school because I could see the flames on the horizon, and made efforts to save personal belongings or whatever. It was a four-story home and, what can you say? It was filled with treasures, you might say.

Everything was gutted, and, that night we stayed with, I think, my mother's family briefly, and then my father decided we'd have to relocate and we stayed with friends. Ultimately we spent a brief time on a place on Grove Street, and then on Milvia Street, and finally back to our place of Arch Street, because we rebuilt.

Chall: You rebuilt on the same location?

Browne: That's right. My father was fortunate enough to find the plans for our home stored in the city's files. But he cut out one

floor because we didn't have the personal possessions anymore. It was hard work! And my father lost an awful lot. Insurance policy didn't always work out. Some part of my working career was helping rebuild.

Chall: I see. And all six of you, I mean, it's a big family, six to move around and find a place for. And, I suppose, buying clothing and books.

Browne: I saved what I could from the fire.

Chall: Did you have pets that you had to pull out?

Browne: No. Fortunately we didn't. We were great cat lovers, but this particular period there were no cats. I saved my best suit!

Chall: Did you?

Browne: But I forgot the coat! [laughs] I saved the vest and a pair of pants and a few other personal possessions. What could you carry away? My mother and I carried a chest of silver between us running down Virginia Street. And some of the stuff bounced out. But, you know, it was a horrible experience.

Chall: Very traumatic, isn't it? And it must have been for the rest of the family when they came home.

Browne: It hit my father, and it had an impact on us because it cost him a lot of money. So that was '23. There had been a recession in '22 and '23. And then he got caught in the stock market crash.

Chall: '29.

Browne: That's right. You see, I did not graduate from U.C. Berkeley. I decided to spend a year or two working and then return to college. And that's another story.

Chall: That hiatus, yes. You did get through high school?

Browne: Yes. December of '26.

Chall: In 1926 you were through with high school. Were there any special subjects that you liked?

Browne: With my father's background I was essentially studying towards the scientific side. So chemistry and physics and math were my pet subjects.

Chall: I see.

Browne: Then the other items followed. The question came as to what I would major in.

Chall: In high school?

Browne: College.

The University of California, 1927-1929

Browne: I made all the basic requirements and it was pretty hard to achieve anything. My father said, "Don't become a mining engineer." He said the profession wasn't that good. So I, finally, going through the directory, you know, I came up with that magic subject--physics.

So I was a physics major, and, the unfortunate thing was, at that point in the university's curriculum, physics was a Letters and Science course. Can you imagine that? So I had to do two things. I had to take the basic scientific studies, and then to qualify in Letters and Science. So I had history and philosophy on top of these other things. And that really did me in, it did me in. I couldn't handle it.

Fortunately my faculty advisor was a neighbor. All I had to do was walk across the street. His name was Irwin, Professor [Frank] Irwin. He was number two in the math department. A very interesting person. He counseled me that I should consider changing my major.

Chall: To what?

Browne: He kind of left it up to me. And I said, "What about economics?" He said, "That's good." So that's what I did.

Chall: Was that also in Letters and Science?

Browne: Yes. It wasn't the College of Commerce, which would have been the next move, but I had to capture as much as I could from the studies I had taken plus what I would have to take. So that made a big difference.

Chall: Yes. And so you just fell into economics without too much thought?

Browne: It was great after I got into it. My averages were quite good. But I would have been much better off if I had selected that in

the beginning.

Chall: Well, that was a subject that wasn't all that well known in those days--as it is today.

Browne: Well, Ira B. Cross, you know.

Chall: That's right, he was the big man then. So you got into something quite good.

Browne: On the other hand, I had [Joel] Hildebrand and [Wendell] Latimer.

Chall: That's right.

Browne: And then I had [Henry R.] Hatfield in accounting, and [George] Adams in philosophy. These are names I recall because they were people that impressed me at the time.

Chall: They were major figures. Even now they are recalled.

Browne: And then, during this period of time I became quite friendly with Major Burwell, who was the head of the university R.O.T.C. for the Air Corps. This was before it became the Air Force. He was a Billy Mitchell protégé. And he was a real dynamo. He became interested in me because I was out for football, so he sold me on the idea that I should go to West Point.

Chall: Is that right?

Browne: But, before that, because of my brother Donald's relationship, I had been sold on going to Annapolis.

Chall: Now, how did Donald become interested in Annapolis?

Browne: Because some of his friends were Annapolis graduates, and they would visit port periodically. And so I went through the routine and made an application.

Chall: To Annapolis?

Browne: Yes.

Chall: Was Donald in Annapolis?

Browne: No.

Chall: He was just interested in it?

Browne: That's right.

Chall: I see. So you made an application to Annapolis then, rather than West Point?

Browne: But, unfortunately, at that point in time, the entrance requirements for Annapolis precluded my eligibility. I was two months too old.

Chall: Oh?

Browne: See, so when that flopped, I tried West Point. Ended up the same thing had happened by the passage of time. So, either/or might have happened, but it didn't.

Chall: You were in the R.O.T.C.? And, also, you were playing football?

Browne: Right. No great star. I weighed a lot less in those days. Freshman football and varsity, and freshman track and varsity. But I was growing rather substantially and so my added weight limited my capacity to be a broad jumper. Which I was. And in football, I was just gaining my weight and size when I had to make a decision whether I would continue in school.

Chall: So you were in college from '27 to '29.

Browne: Right.

Chall: And that's when there was a sort of an hiatus, from what I can see here [on your biographical material]. However, you had already decided to major in economics at that time.

Browne: Right.

Chall: Now, there's Phi Kappa Sigma. Is that a social fraternity?

Browne: A social fraternity. I had been pledged to that fraternity when I was in high school. So many members of a club that I belonged to in high school, called the Carré Club, joined that fraternity in college. Carré means square, I think--French. It was a social club. Essentially, under the state laws, it had to qualify as being for strictly social purposes. And so many of the members who had graduated and gone to Berkeley or Stanford, as the case may have been, they always looked to the young men coming along. So that was why I was pledged a little early. Phi Kappa Sigma was about three or four blocks from where our home was, and I saw more of the inside and outside of fraternities and sororities when I was quite young in Berkeley. We just ran through their places. So I got to know a great many.

Another thing that's important is that my father, in his

period of being retired and interested in photography, became, you might say, the dean of the campus on taking photographs, particularly athletic photographs, for the Blue and Gold. There was a publication which came out called California Pictorial, which was one of these sepia toned rotogravure editions, and most of the pictures my father took.

Chall: Did that provide your father with some fairly good income? He had several kids in college at that point, or ready for it.

Browne: He wasn't really interested in income at that point in time. He did it out of love for his fellow man. And our home became the clearinghouse for people who were working in the associated student's activities. They used his laboratory because he'd developed a photographic laboratory and had all the equipment.

Chall: In the house?

Browne: Yes.

Chall: And he lost all that?

Browne: Oh, yeah.

Chall: Oh, my!

Browne: So, I got quite friendly with many, many students before I went to school. And then, later on, I knew so many it was almost like going back to school again.

Chall: Well, that probably didn't hurt in the kind of work you went into, and you had probably already developed your outgoing personality.

Browne: I had also to make some decision on what fraternity I would belong to.

Chall: Yes. But you sort of went from the Carré to the Phi Kappa Sigma.

Browne: 'Cause I knew so many people.

Chall: Were there a lot of other fraternities trying to get you to join?

Browne: Oh, yes! That was one of the problems. 'Course in those days the standards were quite different than they are today. They didn't have the same rules, things were a little more haphazard. And that really caught me, too. Our fraternity was very stuffy. And they wouldn't, shall I say, select candidates unless they met their very definite limitations. So what happened, the

membership in the fraternity just went down like that. But we had to pay the same bills. So although I had budgeted my money from working to provide a cushion and get through and although I could work during the summer, I just ran out of money.

Chall: So you couldn't be active after a time. You had to drop out?

Browne: That's right. I had worked between graduating from high school in December 1926, entering U.C. Berkeley in the fall of '27. For that period of time I spent a good deal of my time working for the Union Oil Company. I had about seven months there.

Chall: Doing what?

Browne: Oh, I worked in the office in San Francisco doing office work. I worked in their regional office in Emeryville; I worked in the Credit Department. And, finally, I became a good service station operator.

Chall: How did they happen to hire you? You were pretty young.

Browne: Through a classmate of mine at Berkeley High school who had gone to work for the Union Oil Company and just said they were looking for some manpower. So it was one of those possibilities.

Chall: Young and untrained, and just to be a "gofer" in a way.

Browne: That's true. So I was a great advocate for Union Oil products for a long period of time.

Chall: Well, what else? Let's see, you were in a fraternity, and you were in sports, and you were struggling to get through physics and economics. What else did you have time for?

Browne: Well, really, because of this financial crisis in the fraternity, I had become chairman of the rushing committee, and the basic challenge was to get more manpower. So I spent a year concentrating on that. I became quite friendly with the alumni in the fraternity. I used to be able to give them name, rank, and serial number. We had a very good alumni group. A great many of them were members of the faculty at U.C. Berkeley. We had Dean [Monroe] Deutsch, and David Prescott Barrows, and people of that caliber.

Chall: No wonder they had high standards. Were the alumni willing to change some of those standards in order to bring in other people?

Browne: We really worked. We really built up our membership.

Chall: With the same standards?

Browne: Yes. I had the difficulty about returning to school. I had the unprecedented role of being elected president as a junior, and I finally had to give that up because I couldn't handle it. But friendships with many of those individuals continues on today. One of my oldest friends is a fellow by the name of Ken Gough who was a near neighbor. He's a retired geologist, class of '24 or '26, lives in Houston, and I correspond with him continuously. And the other is Maynard Toll who, I guess, was with O'Melveny and Myers. I don't know what his retired status is. And there were a couple of others like that.

Chall: You dropped out in '29 and didn't go back until--

Browne: I just didn't go back.

Chall: You didn't go back. I have a 1931 date.

Browne: Okay, the '31 was the class.

Chall: Why are you considered the class of '31?

Browne: I would have originally been in the class of '30, but I stayed out until September '27, starting the fall semester. So I entered with the class of '31. I use the class of '31 rather than the class of '30. Had I returned after working, I could have been '32 or '33 had I wanted to, but you still have the option to determine that. And, because I'd been on campus before I went to college, running through the area, and knew so many people. I really knew more individuals who were in the class ahead of me than those that followed me; that's true today. Sometimes that was a problem with some of my fraternity brothers. I was always friendly with the upperclassmen. They thought I was getting special privileges.

Chall: Well, you did become president when you were a junior, so you must have had some more maturity, maybe, than others. So you didn't go back. Then was it during that period between '27 and '29 that you worked in the comptroller's office?

Browne: What I did following my election not to return--I was working. I went to the alumni office for temporary employment, and they usually had a list of jobs that were available. I think one of the first ones that I got involved in was the Emporium-Capwell. They had acquired Taft and Pennoyer in Oakland and were liquidating it--they needed people to help with the inventory, so I did that work. Then there was the opportunity to work for the comptroller's office, for Agnes Robb.

And then, in the process of this I had a call from my

brother, Donald. This is the time of the stock market crash. He was at that time working for an investment firm in San Francisco, and they needed help. So I changed my clothes and went over and applied for a position that I guess you'd call a runner, handling security transactions and doing other things. And, when the work finally subsided and there was an opportunity to look around, the cashier, who had come from the Bank of Italy, said there was an opening over there and that I could go over and apply if I wanted to fit into the scene. So I went over and applied.

Chall: When you left in 1929, was that in the summer or the spring of '29, at the end of the school term?

Browne: No, it would have been the beginning of the fall.

Chall: I see. The crash was during October, starting early October, and then the real crash came. [October 29] I can't remember the date, but towards the end of the month.

Browne: I can't remember.

Chall: But, there was sort of a period during October when it was heading down.

Browne: Yes, it was flopping up and down. My father lost his shirt, again.

Chall: He had stocks?

Browne: Stock, yes. And there was no assurance that his investments would ever work out, no different than today. But it was rather precarious. And so, the challenge was that the family couldn't finance my return. And that was a challenge. So many people worked their way through college, and I weighed that because I actually was working. But to maintain any proficiency in studies, there really wasn't that much opportunity.

I had my best advice on that from a regent of the University of California, from James K. Moffitt. He was one of the regents I would contact to have a signature on the vouchers from the comptroller's office. And he would invariably always come out and talk with me. He didn't bring me into his office, he came out. And so we got on this discussion and I challenged him about it. He said, well, in his opinion he thought it was better to be able to face your courses without any pressure and come through that way, rather than trying to work and study at the same time. And, with the continuing turn in the economy of the country, it seemed to be the thing to do.

But I still planned, after I worked for the Bank of Italy, to return to college. And, that, again, was a difficult question because, again, the family was under financial pressure. Jobs were difficult to obtain, and the president of the investment affiliate I worked for and his associates put me in the steam room and convinced me that I should stay on and continue to work.

Chall: That was the Bank of Italy, the Bond Department?

Browne: That's right. So, I figured if they were going to spend that much time to convince me, then maybe I should consider it.

Chall: Over the years, do you think that it harmed your career in any way not to have graduated?

Browne: That's a question that always will haunt me. Considering the problems that were faced in the financial community, had I elected to go back and finish my schooling and then return, I would have been right in World War II. I would have been--no great future of any kind.

Chall: Yes, and you might not have been on a rung on the ladder as you were already.

Browne: This way I had established some professional capacity and some leadership. And at that point in time, it was very difficult to find many that had a business school degree, which was what I would have striven for. But, I think backwards on it and I just don't know where I would have ended up.

Chall: Yes. You certainly did well. So it'd be hard to know how different it would have been if you had a degree, or to what extent people that you were working with over the years had degrees, and whether they cared. Does anybody ever know, really?

Browne: Well, it's interesting. Forbes magazine has an edition that's recently been published, which gives the financial details on the executives in the business world, and it does include in the charts the number of individuals who did not attend college relative to those that have, and it's significant. There are not as many, but many of them who are in that category are doing very well. So it's really a matter of how you deal with the problem.

The other thing, of course, which has to be added to the record, is that I never stopped studying.

Chall: Yes, I've seen that. You went through the U.C. Extension Division from 1930 to 1942, so you must have been picking up classes here and there. And, of course, you could do that in the evening.

Browne: True, and I also used to--

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--midterms or finals, copies of the exams, put them into a box and, ultimately they were put into big ledgers by subject. So if you wanted to keep track of what was being taught, you would read those. Also, it was not too difficult to get a list of the required books for each course. You couldn't do all the interim work, but, from the standpoint of auditing, it was not too difficult.

I used to collect books. [chuckles] That's always been a problem, there's never enough space for them. So it was that kind of input. Education is the mind, you know, what you can do with it.

Chall: Yes, that's right. When you were going through U.C. Extension, did you continue to study economics and related subjects?

Browne: Oh yes! And, there again, was the challenge of keeping up-to-date.

Chall: Yes.

Browne: The latest publications and the ability to find other sources of information that were not always available. The Mechanics Institute was great, and I used the Business Library in San Francisco.

Chall: Did you do this as part of your own training at the bank?

Browne: Yes.

Chall: By this time, of course, your brother, Donald, was out in the world. Did he leave the investment company?

Browne: Yeah, see, he ended up doing engineering work. He worked for the American Bridge Company. He ultimately moved to Portland and passed away there. But he was years in his engineering background. My brother, Ray, just passed from the scene, and my sister passed from the scene, too.

Chall: But, at that point you were all living at home. I don't know about Donald.

Browne: He left home reasonably early. He was married and raising children.

Chall: This was in the late '20s.

Browne: Right.

Chall: But your sister was still at home.

Browne: That's right. She was still at home until some time during World War II. Betty and I were in the East and she was in San Francisco and she met her boyfriend in San Francisco. Betty and I were their best people at the wedding in East Orange, New Jersey.

Chall: How did your parents take this fall, you know, the economic difficulties, which meant that you couldn't go through college, for example. Did they talk about that?

Browne: My father was very concerned. As a professional, why, he fully understood the impact. And I would say that he did everything he could to mitigate the problem. My mother was a little different. She was more socially inclined, so anything that interfered with her social activity was more of a problem than what her children were concerned with. But she was very proud and very concerned. It wasn't a question of trying to live with the standards that we had, it was a matter of making our own standards. As long as someone in the family was being successful, that was probably more important. But, early on, it was difficult. My mother having gone through a winter in eastern Nevada, I think she understood how hard it is.

Chall: I guess it would be a disappointment to your father not to be able to be sure that you could go through college.

Browne: Yes, that was the reason, as I said, why we moved to Berkeley, and how he pushed us in our studies, and entered into discourses, and built the facilities for us. 'Cause we had a home which was designed to bring out the best from your mental equipment.

Chall: Apparently he gave you all good background.

Browne: That's right.

Working with Agnes Robb in the Comptroller's Office

Chall: Before I get into the bank itself, I'd like you to tell more of the story that you told me last week off tape about working for Miss Robb. I think it is interesting from the standpoint of early Berkeley history. This is the class of 1931 story, in a way.

Browne: That's right.

Chall: What did you do for Miss Robb's office?

Browne: I guess I would have been called an office boy or a messenger, as the case may have been, which dignified doing the odd chores of providing the supplies, and taking messages, and sealing mail, and duplicating material. In those days we didn't have xeroxes, of course. I would probably be caught running here and there on campus delivering things from the comptroller's office.

I was particularly interested because the former comptroller was a neighbor of ours. His name was Ralph Merritt. And Ralph Merritt and I, I think I mentioned to you, became friendly again after many, many years because he was quite an interesting individual.

But, the major challenge in working for Agnes Robb was taking those vouchers to San Francisco and having the three signatures on them. And they were very impressive.

Chall: You had to have the signature of the regents?

Browne: Yes, three, whatever they might be. I can still remember walking down through Sather Gate on my way to get a streetcar to take me to the Key System train and take me over to San Francisco. But I recall that the regents that were on call were Fleishhacker, Mortimer Fleishhacker, James K. Moffitt, Charles Crocker, the dean of the medical school--I can't recall his name--and the attorney whose nephew was a member of the class of '31, I'll have to think of it.

Chall: It'll come to you.

Browne: Yes, yes. Each one of those visits was an experience. The Crocker [bank] experience was great because there were two that I could see. Mortimer Fleishhacker was not too communicative and I really had only one visit out at the medical school for a signature. The others were friendly. And, I guess, when I kept showing up, you know, I became more identifiable to their guards or whoever was there in the bank. They became very friendly. I had conversations with them; they were helpful.

Then, on a reverse. After this was all done, Agnes, I know, wanted to know whether I was interested in having help in getting a position. I said, "Fine." So I think letters were written to each one of the regents introducing me.

Chall: Oh, how nice.

Browne: And, it was one of those difficult times, though. They were not about to open up the doors of the bank for anyone that came along. But they were very courteous and very helpful and if the opportunities would present themselves, why, they would be very glad to recommend me.

I think my worst experience was at the Crocker Bank, because I went the hard way and visited the husband of one of my mother's classmates. His name was Newell, and he was head of personnel. He was about as stuffy a person as I ever had run into. [laughs] He was the one who inquired about my college background and kept asking pointed questions. He called me by my first name because of the family relations. He said, "Well, Alan, I'll let you know, we really don't want to employ anyone with that kind of an educational background. We like to have our young men come in here from high school, and then we'll train them for their future."

Chall: Oh, I see. You had gone too far.

Browne: So he cut me off. And I have never forgotten that. That was the story of the Crocker, though. It was a family bank, and their desire was to train everyone from the beginning. As a matter of fact, it infected other banking institutions. The only bank that really made any effort to seek a more collegiate background was the old Wells Fargo, not the current one, the original Wells Fargo. That was very apparent.

But, having run up and down Montgomery Street and the financial district and in that general area, it prepared me for my ultimate move to San Francisco. And I wasn't dropping names. I certainly didn't feel, because I had been on that contact basis, that it meant anything, except I knew where the elevators were and I knew where the offices were, and I could maneuver; that was about as far as I could go.

Chall: At that point you wanted to take every avenue that was possibly open--you did need work.

Browne: That's right. The recession period was coming up, and positions were not available.

Chall: The banks were not sure about themselves either.

Browne: No, they were undergoing the things which brought about the Glass-Steagall Banking Act. And the mergers that were taking place, and the closing of banks, and bank holiday coming up--all of those things were signs of what might take place.

Chall: You might as well get into your going into the Bank of America. I thought we'd start that next week, but we have time.

More on the Family

Browne: Let me think if there is anything more I can pinpoint.

I think you have a pretty good picture of my father.

Chall: I think so. Let me ask about your father; did he live a fairly long life?

Browne: Going back to his questionable date of birth, he lived to be about seventy-seven, and my mother lived to about eighty-nine.

Chall: That's pretty good. Which meant that you were probably taking care of your mother for some time. Did your father ever pick up anything economically after the Depression and World War II?

Browne: He translated his interest in photography into working for a lithograph and label company specializing in photography, and in turn, color photography. And what I didn't realize was, during World War II, he was a specialist in the field of counterfeiting foreign currency.

Chall: Is that so?

Browne: Because part of the routine was to counterfeit your enemies' securities and so forth; so he was an expert on that.

Chall: Well, then, he probably made a fairly decent living, eventually.

Browne: Yes.

Chall: And he and your mother were self-supporting.

Browne: That's right.

Chall: Did they stay in the house on Arch Street for many years?

Browne: They stayed until my father passed away. It became too much for my mother. So, she only moved with the ward of the family to a place nearby on Spruce Street. And then ultimately moved across the bay to Burlingame to be near Betty and me. But the family home was ultimately sold. I think my parents hoped that I would acquire the home, but I felt it was a little bit too much at that

point in time. Having been away in the service, there was no way of coming up with any simple answer. Coming back from my duties, there was no housing and there was the question of finding a place to live, but that wasn't the answer.

Chall: You did live there, then, for a time when you came back?

Browne: About three months. It got to be awkward, with too many people, you know, and too small an area. But, ultimately, when my mother moved, I think she was very happy. My father died with his boots on.

Chall: Still working. So photography and art were his interests the rest of his life.

Browne: That's right. He wrote articles and was very much interested. Acquired a library of the subjects he was interested in. But, concerning his background, it was a little different than what it started out to be.

Chall: What happened to the property in Alameda?

Browne: It was sold. I don't know, really, how many hands the property must have passed through. The other property that my grandmother owned, that all went one way or another.

The only key piece of property that stuck out in my mind was a piece of property in Oakland at Ninth and Clay Streets, and this was a typical old Oakland multi-story building which had become the office of Chan and Kong, Chinese herb doctors. Dr. Chan was a fascinating person. I was delegated to visit him every Saturday and pick up his rent. And I had to wait in the waiting room, depending upon how many people came in and paid their fees. But that property, ultimately, was sold to [inaudible] and became a parking lot area. That was a key piece of property.

Chall: That passed to your father, too. So he had some cushion.

Browne: Yes. I think of the prices that were realized on property in those days as compared to today. [They] would have been much better. My father was a great outdoors person, he would have loved to have retired to the country to enjoy the good life because he loved hiking. He took my brothers and me, particularly, on hikes every weekend when it was appropriate. That's probably what added to my leg problems, so much hiking. [laughs]

As far as my brothers and sister, I don't think of very much

to add to the story.

Chall: It's a rather different kind of family background, so, it's good to get it. You were not very close to your sister, I guess, because of age.

Browne: That's right.

Chall: Did all the brothers sort of see her as a pet?

Browne: No, I was the only one that was closely, shall I say, concerned about her well-being, and I was the one who guided and counseled her. As a matter of fact, I was the one that made sure that she finished college and supported her in doing that. But, with my being in the service, and my brothers not around, why, that put a lot of pressure on her.

She went to work for the Bank of America. She was employed on her own; she didn't use any names to influence anyone. She was a secretary.

II BEGINNING CAREER WITH THE BANK OF AMERICA, 1929-1942

Bond Departments: Bank of Italy Company; Bank of America Company, 1929-1941

Chall: Through your brother, actually, you got into the Bank of America.

Browne: That's right. Sometimes I think he resented it. [laughs]

Chall: You really moved along very well. Now, as I recall you were a trainee for a number of years. They put you right into the body of the department.

Browne: Yes, the Securities Division, National Bank of Italy Company is kind of a mouthful. It was what is known as an Investment Affiliate of a bank where they set up a separate entity, and they handle their security transactions in it. In that particular period of time, banks could underwrite and deal in all kinds of securities, and that's where the Glass-Steagall Bank Act came into being. They had gained this power under what had been known as the Maloney Act of 1927.

And so the Bank of Italy had its Investment Affiliate, and the Bank of America of California had an Investment Affiliate called the America Investment Company.

Chall: And these, at the time you joined the bank, were two separate entities? The Bank of America was primarily in Southern California?

Browne: It was scattered. The major bank was the Merchants National Bank in southern California, and then the United Security Bank and Trust in Bakersfield, and there were two or three other small entities. They were all put together to form a banking chain. They really weren't coordinated as such, but that was it. This was done essentially to develop under the legal limitations.

Chall: For branch banking.

Browne: Right. So when the two banks merged in 1930, the two Investment Affiliates were put together and out of it came Bank of America Company. And Bank of America Company existed until it went into the horizon some time in the late 1930s because of the Glass-Steagall Bank Act, and ultimately was completely separated from the bank.[1] And that was the period of time I departed that organization and went back to the bank.

Chall: You were in what bank? You started out in the Bank of Italy.

Browne: Right, and then I ended up in the Bank of America.

Chall: After the merger. In the Bank of Italy, was there any reason why you were placed in the Bond Department? Is that where they had need for the messenger?

Browne: Yes, that's right. I was interviewed by the head of personnel, but one of his young assistants was delegated to put me through the process. And, I can still remember the day when I sat beside his desk. He was a young person by the name of Frank Dana, who rose to the top position in the bank, and, for one reason or another, he ultimately parted the scene through ill health. He started asking me a number of questions, and I, being a cocky young individual, got the gist of the questions, and I leaned over and saw that he had on his desk underneath a piece of glass a series of questions; he was just reading them off.

So, finally, he finished and I said, "Well, by the way, you know I'm supposed to be employed by the Bond Department." He said, "O-oh, yes, yes, that's right, okay." That ended it, all this was silly. So I went from there.

So, over the years, well, I got to know him reasonably well. We weren't really the best of friends. I didn't think my introduction was that good.

Chall: But they put you to work in the Bond Department?

Browne: That's right. So I started out being a messenger, again, and that was a little different than being on the Berkeley side on the street.

Chall: What were you doing in the bank?

Browne: First thing I did was work in the Sales Department. I was getting out circulars and sales memos to the sales force all over California. And then I was handling supplies, duplicating

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[1]Alan Browne uses the names Bank of America Company and Bankamerica Company interchangeably.

material, and helping deliver securities back and forth. I put my foot in the door in the statistical function, and then I also got involved in trading, just a little bit, just to finally accumulate some ideas of what was going on.

Chall: Did they put your foot in the door, or did you do it yourself? What were they doing for you? Was it really a kind of a training program?

Browne: It was sort of a training program. But really, they weren't serious about it. It was only when I, oh, say threatened--I informed them I was going to leave and return to the university [that they became interested].

Chall: And is this about 1930 or '31?

Browne: Yes. And, that changed the whole scheme of things.

Chall: Otherwise, they just were giving you the routine things to do?

Browne: That's right.

Chall: I wonder what, do you suppose, made them feel that you had potential? Otherwise they wouldn't have bothered.

Browne: I think I was well dressed [chuckles], and I also made a point of knowing what I wanted to do. And when I was challenged, I responded accordingly. As a matter of fact, one time the head of the Bond Department questioned the decision I had made, and he was really livid. He was so mad that I had done something he didn't want done. I figured this is it, but I just stood my ground and explained the reason why I did it, and he finally calmed down, and he changed my job immediately.

Chall: Now, is he the one that persuaded you to stay on?

Browne: No, I went to a higher authority then. This fellow was named Louis Benoit.

Chall: What had you done to displease Louis Benoit?

Browne: He wanted priority given to some sales memorandums that he had originated and wanted sent out to the sales force. I guess as an author, you are concerned about the delivery. But I had so many other things to send out, I just made a decision that his wasn't as important as the others.

Chall: Oh, really?

Browne: So that's what I told him. The name Benoit should ring a bell. He was the head of Lawrence Warehouse in Almaden Vineyards after retiring from the bank. He was an Annapolis graduate, very interesting person. We became very friendly.

Chall: I see. So, then you spoke to somebody else in the bank about your probably leaving?

Browne: Yes, I spoke to the controller and the cashier, and the next thing, I was called into a special conference with the president.

Chall: Mr. [James] Bacigalupi?

Browne: No, this was the president of the Investment Affiliates. His name was Richard Millar. And, then there were two or three others that were involved in this. I was really surrounded by all the senior officers.

Chall: Did you say that you just simply wanted to go back to school, or did you give them some kind of an option: "I would like to do something else"?

Browne: No, I told them that my original plans had been to return to college and I had felt that now was the time to do it. I didn't see that I was going in any particular direction where I was; it looked like things were beginning to close down. And that changed it.

Chall: They really, all of them, sincerely wanted you on board?

Browne: That's right. So, there was a fellow by the name of Ed Leimert, William McGrath, Dave Lamon, Dick Millar. Louis Benoit was left out of this; this was a little higher echelon. So, I thought they picked a very young person, that was quite a challenge.

Chall: Yes, it was. That must have made you feel pretty good.

Browne: And, the answer finally came. I survived when we had the bank holiday, and the proxy battle took place. All those individuals either passed from the scene or were transferred elsewhere.

The Elisha Walker Proxy Battle and Its Aftermath

Chall: I see, you're talking about the Elisha Walker incident [1931-1932].

Browne: Right.

Chall: What exactly was that? What happened there?

Browne: Well, A.P. Giannini had apparently selected Elisha Walker to head up Transamerica Corporation. Elisha Walker had been president of Blair and Company in New York. This was the Wall Street influence that was taking place. A.P. had tried to expand Transamerica interest in the New York financial market. The only way, apparently, you could do it was with the permission of those who made the decisions in the area. And part of the decision making was for him to take on Elisha Walker.

Chall: I see.

Browne: And Elisha Walker did what most people do--they start changing things, liquidating, and firing. Elisha Walker was responsible for Transamerica selling its New York banks to the National City Bank, and Transamerica received stock in payment for it. But this started the whole train of events of things that A.P. Giannini did not want to have happen. So the proxy battle that came was to oust the Elisha Walker group. The Investment Affiliate was used as a vehicle for securing proxies in favor of Elisha Walker. So I was caught in a position of having to work for an organization that would oust A.P. Giannini.

Chall: I see.

Browne: So, that was another decision I had to make.

Chall: That was happening at the time you decided you'd better go back to school.

Browne: No, this is after that took place. I already stayed and then this change began to take place.

Chall: Was your job in any danger?

Browne: Well, at the point in time I had decided I was not going to support Elisha Walker, it was.

Chall: You were still sort of an underling there, but in what way could you make some decision about whether or not to support Walker? You thought you might just up and leave, is that it?

Browne: Well, I sold the idea of taking over my work to an associate who I had known since high school days. Fortunately, this activity was centered in the Transamerica Building at 460 Montgomery Street, and I was at 485 California; it was only two blocks away.

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Browne: [I went over to see [inaudible] at] the Bank of America Company, and I told him what I did; he laughed. [laughs] He said, "Well, I'm not going to tell anyone what's happened here, but what you should do here is take a seat over there in the corner and keep out of sight. We'll see what happens." And, within a short period of time, why, the people who I would have been reporting to came through and they saw me there and didn't say anything. So that ended it. And then I found out afterwards that on that day I had the blessing of Mario Giannini for what I had done because the others were all bounced.

Chall: The ones who stuck with Elisha Walker?

Browne: Yes.

Chall: And they lost. Was it a big loss?

Browne: No. The proxies were overwhelmingly in favor of A.P. Giannini. Transamerica was pretty good at this time. They were pretty good. They sort of had an amnesty, and they would take people back, but they had to perform otherwise. So many people who had thought they were doing the right thing I guess didn't like it.

Chall: Did you know Elisha Walker at all, I mean, was he in and out of the offices where you worked?

Browne: No, he was essentially always in New York, but the others, I did, sure, I would run into them. I was in that capacity of being a runner, more or less.

Chall: Was there anything special that made you feel this wasn't the right thing to do, or did you already have a sort of affinity towards the Gianninis and how they were operating?

Browne: Well, I was placed in the awkward position of having to duplicate statements by [Arnold] Mount, and these were being distributed to the officers of the bank and all the sales people in the Investment Department. They were refutations of all the good things the Gianninis had said and done, and [inaudible]. So that really did it for me.

I did a very childish thing, I took all this material and I stuffed it down the john. [laughter]

Chall: Did you really? [laughter] Oh, my goodness!

Browne: [laughter] And I flushed the john and left the premises. Well, you know what happened, it flooded, and the water seeped down into the main banking floor. So, if they wanted to recover it, there it was. But I was just really frosted with the attitude. And I was deeply concerned that if this was the kind of a situation developing in the bank, it was going to tear it apart.

Chall: It's interesting that a person at your age who was really simply learning would have had the insight.

Browne: Jim Bagicalupi, I thought he was an attractive person. I hardly knew him, but I became very friendly with his son, who ultimately ended up at the Crocker Bank.

Chall: And was Bagicalupi on the side of Elisha Walker?

Browne: Yes.

Chall: Oh, yes. So that ended his career as president of the bank?

Browne: That's right.

Chall: Was it at that point that A.P. came back as president?

Browne: A.P. came back, but I don't think he assumed the office of president. I think he assumed another office and saved the key spot for Mario. Another person involved in this was Will Morrish. He was the president. I don't think he was anti or pro, I think he just happened to be in the wrong position, and he was bounced. From there he ended up, I think, as president of the American Bridge Company, which was the Carquinez Bridge organization.

Chall: So that was a major shakeup. Were there, over the years, any major shakeups of that kind from time to time, or did the Gianninis keep pretty good control over it while they had control?

Browne: No, they obviously had some differences that arose, but the way the operation went, as you can appreciate, Transamerica owned almost every share of Bank of America.

Chall: It was the holding company, is that what you'd call it?

Browne: See, Bank of Italy went into Transamerica.

Chall: I see.

Browne: Originally it had been Bankitaly Corporation of America. And then out of that they converted the Bank of Italy to Bank of

Bank of America
NATIONAL TRUST & SAVINGS ASSOCIATION
SAN FRANCISCO

A. P. GIANNINI
CHAIRMAN OF THE BOARD OF DIRECTORS

July 31, 1933.

Mr. Allen K. Browne,
1630 Arch Street,
Berkeley, California.

My dear Co-worker:

A gain of over one hundred million dollars in our deposits since March of last year!

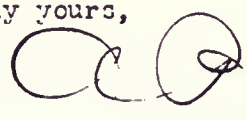
This is the astonishing record we have made, as shown by our published statement of June 30.

If there is any one particular thing to which this result may be attributed, it is the fine spirit of cooperation shown by our employees throughout the State of California.

I am proud of my six thousand fellow workers and of what they have accomplished during one of the most difficult periods ever experienced by American banking.

For this splendid accomplishment and your continued loyal cooperation, I want to express to you my deepest appreciation.

Cordially yours,



America stock. Then, during the 1930s, this stock was sold to the public. And so there were no shares of Bankitaly out, but Bank of America. But it came from Transamerica Corporation. And the control in the Bank of America (because Transamerica out here was no longer in that position), is that the organization had an executive committee. And the executive committee was a committee of the board of directors. The managing committee was a committee of the officers of the bank. The executive committee usually was chaired by the immediate past president of the bank. And they usually figured a five-year cycle: five years in, five years out. The executive committee cleared all of the necessary policies for the Bank of America. And, as long as the Gianninis could control the membership of the executive committee, they'd control the board of directors. So everything would flow that way.

And so there was really very little opportunity for anyone to jump up and down. The directors were carefully screened, a number of directors had been involved in Bank of Italy background for many, many years. They had been part of the history of the bank. So they didn't flutter their wings.

Bank Policies Following Mario Giannini's Death, 1952

Browne: Things began to develop after the death of Mario Giannini--the interim period of Carl Wente, and then the rest of them. The ideas were quite anti the policies that had been laid down by the founder, and it was hard for the people to take that.

A lot of the officers that were employed came from outside; these were not individuals that grew up in the bank; they came in with different approaches. They were looking for some of the benefits that had accrued in other financial institutions. See, one of the policies, it was not exactly cut in stone, but an officer of the bank could not serve on the board of directors of any other organization.

Chall: I see.

Browne: Then that was bent a little bit. But that meant that some of the bank officers could serve as a member of a board of directors of another organization and pick up $5 to $25 thousand a year additional income. They were denied that. So that was a factor.

Little things like that began to show up. And then the philosophy of the bank for little people--that was twisted

around. The idea that the Gianninis had was just put out of proportion. I think the idea was, the bank was there to help small people, and the profit line was not always the end result because you had to measure it by other things that took place. But this became a whipping boy. We just figured that we can't serve all the little people anymore; we're not making the money we should.

Then, everything that evolved from this conception created the irritations. And a person who would be employed by the bank today that comes from another financial institution, he may be given a book that says, "This is what A.P. said." But that doesn't mean anything.

Chall: I see, so there's always been some tension over the years. But while the Gianninis were in charge, if you didn't like it, I guess you could leave, or decide to wait them out.

Browne: That's right. Now, during the 1930s I was working for the Investment Affiliate, that's where you'll see I moved up from assistant cashier and head of the Municipal Bond Department, and whatever.

Background of and Decision to Move to Bank of America: Manager, Municipal Bond Department, 1936-1941

Browne: My boss at the time was a fellow by the name of Malcolm Prosser. He's still living. I keep in touch with him. He happens to live in Lake San Marcos in San Diego County. He had been approached by Mario Giannini to return from the Investment Affiliate to the bank. This was the Glass-Steagall hiatus, and he wanted me to go with him. So the two of us would go up and run the things at the bank rather than at the Investment Affiliate. And, this would have left the Investment Affiliate without any character of any kind, because our operation was that which made it. And so they finally decided [1936] that Prosser would go up to the bank and I would stay at the Investment Affiliate [Bankamerica Company].

Chall: Now, did the Investment Affiliate finally just disappear after the Glass-Steagall Act?

Browne: Yes, it had to. What had happened is the stock of Bank of America Company, wholly owned by Bank of America stockholders, they moved that into other affiliates, so gradually it disappeared. So anyone trying to find it could not find it. And it, ultimately, was forced to change its name. And it was no

longer connected with the bank, it became First California Company, and that has gone out of business, but at that point in time, that is what they did.

But during this period there was a lot of friction, and jealousy, and, you might say, unhappiness because of the problems that were taking place. And the Investment Affiliate, now Bank of America Company, became really the arm used to promote interest in Bank of America stock, and to serve Transamerica Corporation. They handled various and sundry activities. But the Bank of America--all they were doing under Prosser was to handle the investments the bank made for its own investment account.

Chall: Oh, I see.

Browne: Nothing within dealing with the public. And so finally the request was made that I return to the bank. And I was having difficulties with the management of the company. They figured I was using too much capital, and that was something that was in short supply. So I left and returned to the bank, which meant I went from 300 Montgomery Street to Number 1 Powell Street. And I started all over again and opened up the Municipal Bond Department, and then in turn worked with Prosser on the bond portfolio.

Chall: When you say they felt that when you were with the Investment Affiliate over there, that you were using up too much capital, what were you doing? You didn't have an awful lot of total autonomy, did you?

Browne: Well, I was running the Municipal Bond Department with the commitment to underwrite and deal in municipal securities. And, in those days, of course, the dollar amount wasn't as great as it is today, but we would be dealing in blocks of bonds which would run from $25,000 up to $5 or $10 million.

Chall: This was for the bank's own investment?

Browne: Yes. So, if you're using up too much capital, then someone else is concerned about it. And you're subject to audit and review. So, when I faced the decision, I went back to the bank; then I had no problems because the bank's capital was more than adequate to handle any commitment. As a matter of fact, people didn't

realize how much capital we had to deal with.[1] So I organized a Municipal Bond Department between 1940 and 1942 when I went into the service, and established the whole procedure.

Chall: I see. Now, when you organized the Municipal Bond Department at the Bank of America, was that solely for the bank's own investments, or was it also dealing with the public?

Browne: Dealing with the public.

The Role of Branch Managers in Selling Securities

Chall: Branch managers were, at least under Bagicalupi, pushed to make sure that they were selling, making some sales of securities. That was the day when they could do it for stocks as well as bonds, I think. After Glass-Steagall, how much autonomy did branch managers continue to have? Were they expected to deal with the public in this fashion?

Browne: The size of a branch made a difference in terms of how they handled security transactions. Generally, branches were managed by a branch manager. Many of the branches had originally been independent banks and, generally, the manager of the independent bank could have been president, so they made him vice president and manager of a bank. So, that individual could delegate whatever responsibility they wanted, but most of them loved to deal in securities, they loved to talk to their customers. And so they'd have [the customer] sitting across from them and they would pick up the phone, contact the trading desk in the sales department and transact their business.

And they had a big hand in what was going on. Matter of fact, one of the training jobs I had working in the Trading Department, we had a bank of telephones, and we were talking all day long to branch personnel with orders to buy or sell, or answering questions that might arise, and they continued to do that. The only thing that really changed the role of the bank in this field was when the Investment Affiliate was no longer part of it. And then they had outside organizations coming in and talking to the branch managers, getting the line on customers and getting transactions from them.

Chall: Outside organizations meaning other investment houses, not just

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[1]More detail on Browne's work in the Municipal Bond Department of BANCO on pages 52-62.

the Bank of America?

Browne: That's right. That was something I was very much opposed to. I thought that the bank could handle all the customers' brokerage business, just like Charles Schwab. We had that, we were doing that. It was only a matter of making sure that we did it on a proper businesslike basis.

Chall: Let's say, a Dean Witter person could come in and talk to a branch manager and say, "We're probably going to be negotiating or unloading x number of bonds; would you like to take a few?" Could he do it on his own?

Browne: Sure.

Chall: Oh, my!

Browne: But the one thing that they usually did was to keep in touch with the customers, Bank of America customers. Invariably, if they wanted to buy and sell securities, they liked to do it through a branch bank because they have custodianship; they could leave their securities there in a safe deposit box. Anything that came in that they had to pay for, they charged their account; anything that they had sold, they'd credit their account, and they had access to statistical data.

So it was very convenient, particularly if they lived in some community in the boonies, they'd have no access except through this line of communication. So it was a real big assist, and I think a lot of investors were very good at it. So the branch manager, knowing the financial capacity of his customers, could be very influential in seeing where the business went.

The sales person who is calling on the branch manager, he would certainly remember the branch manager on certain occasions, like Christmas and otherwise. And that was something that was always a major problem.

The other thing is, just on the point you touched, let's say a salesman would call a branch manager and say, "We're bringing out this particular stock issue. It's coming out at 25 and we think it's really very cheap. I've reserved 100 shares for you." What they would normally do, which is illegal today, say, "We'll confirm it to you; you don't have to pay for it until it's ready for delivery." Well, the delivery point would be, say, ten days later; the stock would have moved up to 35. He'd say, "Do you want to hold it? We'll sell it for you and send you a check." So, nothing happened; the branch manager would get a check for the difference. That was the game.

Chall: That, presumably, went to the branch, but, did it go to the manager?

Browne: Well, the manager, if it was for his own account, got it.

Chall: Oh, I see, so he could be doing it for his personal account?

Browne: Yes.

Chall: As well as for the bank's.

Browne: Well, he wouldn't really commit the bank. He could only commit himself or his customers. So he would benefit from it. But the bank was in turn concerned, obviously, because the bank was being used to further the interest of others.

This was before regulation became more important. One of the things that was done which, today, would be illegal.

Chall: Yes. I think Giannini at one point, if I can recall correctly, didn't want any of his employees taking gifts.

Browne: Generally that was the nature of the philosophy. You were often in the position where you were, well, it's just like being president of the United States, or secretary of state. Someone is going to present you with something in token. Can you keep it? How do you account for it? The temptation was always there, but, generally, in the securities field, it was hot tips, in a combination.

I'm not being critical of any branch manager, at all, but, frequently they were underpaid, had to occupy a role in a community which called for a certain financial outlay where they couldn't be compensated. So it was nice to be able to remember them. If you were looking to a branch manager for a combination on loans, or whatever, he has been good to you, and it has been a successful arrangement, you don't give him money, you provide some other token of appreciation.

One of the worst things that happened in the securities business was the so-called stock traders. They would be in a position where they would be the recipients of reserving so many shares on some hot issue. The other thing is that a lot of these individuals would open their own investment accounts, brokerage accounts. Sometimes in the name of their wife or their mother or someone else. Then they would have all their transactions go through those accounts. And they would be the ultimate beneficiary. That, again, was what A.P. Giannini was opposed to--any of this. Now, of course, it's illegal.

Chall: I see.

Browne: But, it was no way to establish yourself as being free and clean and above board.

Chall: I read that the Gianninis didn't want employees to do anything on the outside, only work for the bank. An employee had to have a single-minded devotion to the bank.

Browne: You had to have approval to do those things.

One of the problems I had with the bank was the desire to raise capital by selling subordinated debentures to the customers of the bank. The branch manager was charged with the responsibility to do this. I know the bank needed to raise the capital, and I felt the terms that were being discussed were reasonably close to the market. But I felt it was very difficult to have a branch manager recommend to a customer this piece of paper where there are other pieces of paper. How could you differentiate between the quality or the value between the two? They didn't like my approach to it. I told them that they were invading the limitations of the Glass-Steagall Act. This was where they, in effect, were trying to break down the rules.

See, normally what would happen would be that the bank would go to an investment banker and discuss the terms of the money they needed, the terms for which they would borrow, et cetera, and the amount, of course. The investment banker would come up with a package deal, and the bank would then be committed to raise a hundred million dollars on a subordinated debenture underwritten by this organization and associates, because they'd bring in a group of associates. The bank would get money for the debentures that were sold, less the expenses. And that's all they'd have to be concerned with.

What was done in this case where I became unpopular, was the bank wanted to do it all themselves. They wanted to cut out all of the investment bankers. And, therefore, they were acting as judge and jury on their investments. And, at this particular point in time, half a dozen banks were selling debentures in the market, each one trying to do a better marketing job than the other did.

Unfortunately, for some of the investors, it turned out to be less than a desirable investment. They didn't lose any money on the ultimate payment or value--point was, it was priced over the market. And the investor didn't have a chance to make a decision. So that was where the branch manager was put in an awkward position.

Chall: About when was this going on?

Browne: About 1970, '71.

Chall: More recently, then?

Browne: Yes.

Chall: After some of the other changes had been made?

Browne: True.

The Challenge of Employment During the Formative Years of the Bank of America##

[Interview 2: June 8, 1988]

Chall: I wanted to go back a little bit and pick up a few threads that we left out last time. One of them had to do with this image of the Bank of America that you perceived as a young man going in, and then deciding to stay. What was the Bank of America to you at the time, and how did it appear to you and your friends and family when you became part of the bank?

Browne: Actually, the Bank of America was a new experience. It was the exponent of branch banking, and the creation of Bankitaly Corporation of America, Transamerica Corporation; and the investments they had in a variety of financial institutions and enterprises was quite challenging. The older, more established banks in San Francisco and, of course, in the rest of California, they were career banks for individuals, but--shall I put it--stuffy, and not particularly challenging.

It was difficult to acquire recognition, even though many of the banks were undergoing the changes brought about by the securities industry. Banks were being acquired by holding companies, there was an exchange of stocks, there were mergers of one kind or another. In many cases, there was frenzy to get organized. The Bank of America was growing--of course when I started working it was Bank of Italy, and then soon Bank of America.

So it was a challenge, and I just liked the way they were doing business; I thought it was a real challenge for a young person.

Chall: There was a rumor going around, and I don't know whether it still does, but the rumor was that A.P. told his friends two days before the stock fell--and I guess it was falling at various times--to sell, and then the stock went from a high to almost nothing. It is said that many Italians with stock lost money, but Giannini's friends didn't. Is that a rumor that you were aware of when you were with the bank in the early days, from '29 to '32?

Browne: Oh, there were always a number of rumors floating around about the action of the stock. You have to recognize that at one time, the stock that was held by the public was Bankitaly Corporation. That in turn became Bank of Italy, and then finally became Transamerica, because they acquired the stock.

The Gianninis were very concerned always about the people who were supportive and who had been with them for a long time. They were very much interested in seeing that good depositors were good stockholders. I would think that there was really no way that they could have taken care of their own friends. Just not in the cards. They did have economic power in their own part to do things, and I think that it was standard practice to think that if you waited till after the close of business, then there would be some constructive news which would enhance the value of the stock. The people who were making rumor were going to benefit by it. But it's pretty hard to communicate to the Italian community in California quickly enough to actually do anything. But they were very loyal and very concerned and very interested, and I guess it was their first real adventure into investing. So owning stock in one of the Giannini activities was very close to them.

But I had no indication that there was anything that would be manipulative or inside information, beyond what would be normal and expected.

Chall: You don't give too much credence to the rumor that A.P. Giannini would have been contacting his friends to help them, maybe at a loss to the other members of the community?

Browne: No, I think he was more inclined to communicate when there was unfavorable news. He would do it afterwards, and try and take care of it. In the history of the bank's operations in the marketplace, they did form a pool to support bank stock against the so-called inroads of the marketplace. And people were invited to become members of this pool. The idea was that at the right time, the pool would operate in buying stock, and keep it from flopping. That was quite true at the time after the stock

market crashed. Everything was down and down, and the thought was that the stock was undervalued, it should be supported.

As a matter of fact, I helped support the pool. I bought three shares. [laughs]

Chall: Oh, good for you.

Browne: With my salary, I wasn't in a position to be much of a stock speculator.

More on the Elisha Walker Proxy Battle

Chall: Now we'll go on and consider some aspects of the Elisha Walker proxy battle. We talked about it last week, and I just wanted to check out some information with you. You said that you had sort of manipulated yourself out of the department. Were you working under Louis Benoit only? Where was Mr. Prosser? This is 1931 and 1932, when this proxy battle was going on.

Browne: Right. The organizational structure at the time was this: Transamerica was holding the Bank of America stock, and Bank of America had its wholly-owned subsidiary called Bankamerica Company [BANCO]--

Chall: That was a subsidiary of Bank of America?

Browne: Yes, wholly owned by the shareholders of Bank of America. This was soon to disappear from the scene. Bankamerica Company also had taken over the investment affiliate of the Bank of America of California. And generally, the board of directors of the bank itself were the directors of the affiliate.

At the time of the proxy battle, it was decided that the sales organization and the other structure of the Investment Affiliate would be used to solicit proxies and to spread the good word about the Elisha Walker program. That was possible because the background of Elisha Walker was that he came from Blair and Company in New York, which was an investment banking firm. Blair and Company had been acquired by Bank of America national association, to form an investment affiliate called Bankamerica-Blair. This was owned by Transamerica Corporation. So some of the supporters of Elisha Walker came with him. He didn't spend that much time in San Francisco.

That framework, the personalities, were used in the

Bankamerica Company. So his appointees were generally the ones in charge. Now, the head of the Bankamerica Corporation at the time was Richard W. Millar. In the passage of time, why, he returned to Los Angeles and headed up William R. Staats and Company, an investment banking firm. He was a University of California graduate, a very attractive young man. He'd been very successful in the Blair organization. Louis Benoit was another one. He was one of the Elisha Walker group. He headed up the office in San Francisco. We had branch offices in San Francisco and Los Angeles, because of the desire to sell securities and handle securities. They were related to many of the branches of the bank at the time.

Chall: Did Benoit come with Walker?

Browne: He came with Walker, that's right. And he was originally stationed in Los Angeles, and W. D. Courtright was another person in this. He was the one we recognized from the Beverly Hills Hotel story. He came and he was the analyst. Russell Kent, who became the head of the bond department, had come up with him. They kind of scattered out, but then the idea of the proxy battle was that the salesmen would go out and solicit customers [using] all the branches and stockholders list to secure proxies. This is where the battle was engaged.

So my position was that I was the individual that had to produce a lot of the paperwork, and I was the one that got out the material to the sales force, and brought the information, and did what I guess you'd call an overdeveloped office boy would do. Louis Benoit used me. From the securities division of National Bankitaly Company days and the merger, there was a fellow by the name of Ed Leimert who had been on the Bank of Italy's side, and he had become the head of the Investment Affiliate in Los Angeles. There was another individual by the name of W.F. McGrath who became the head of the San Francisco office. Louis Benoit and McGrath--you might say they had equal responsibility. But McGrath was the Bank of Italy background; he maintained his relationship with A.P. Giannini, and the others had sort of drifted away. Some of them left and went into other organizations.

In my role then, I was seeing the material that was being thrust down everyone's throat, and the litigious nature of some of the information. I just decided I wasn't going to be caught. And I, being a relatively speaking low-paid employee, I wasn't going to jeopardize that just because of taking sides. I had a feeling that the proxy battle in favor of the Gianninis was a good one, and I was opposed to the Walker interest, even at that tender age.

Chall: Did you attend any of those very exciting proxy meetings that the Gianninis held?

Browne: Oh, yes. I went to both in San Francisco, that was the only accessible area; I could not go out in the branches. Certainly I had the flavor of what was going on, and it was pretty rough.

Chall: Yes. I think it was the Elisha Walker group that indicated that if any of the employees were found working on the other side, they would be fired.

Browne: That was a threat, and I don't know whether it was ever carried out. The word was passed, if the Gianninis won the proxy battle, then they were going to have wholesale firing of all those who were on the other side. Well, reason won out. I think there were a few situations where a little dramatization took place, but essentially the people who had worked for the Elisha Walker interests were given an amnesty. They had the privilege of coming back and working, sometimes in a completely different role. Some of them, it was the best opportunity they had ever had, because they would have been out of work at that particular time.

One of the individuals that came back was Henry A. J. Ralph. He rose in due time to be vice president and New York representative of the bank. But Louis Benoit was--shall I say--taken care of. The Walker interests took care of a number of their supporters, and Louis Benoit went through different activities, and as you know he ended up at Lawrence Warehouse and Almaden Vineyard. Some of the others, they just disappeared.

Now, getting back to Malcolm Prosser--

Chall: Yes, where was he in all this?

Browne: He had made the move to return to the bank. This all followed the merging of the Bank of America and the Bank of Italy. At that point in time--putting the two banks together, it sounds like you just shuffle cards and deal them. But if you looked at the financial statement of the consolidated bank, you'd see cash, investments, real estate, whatever--just numbers. But when you looked at the actual securities in this case, they were a jumble. The reason being is that both the Bank of Italy and the Bank of America of California had acquired a number of their assets through merger. So they took over a number of small banks; they just took their securities and put them into their portfolio. They weren't put there because they were the most desirable securities or the most attractive, or that which was needed; they just put them there.

So it was desired that someone run the municipal bond and government bond portfolio. And they had brought up from Los Angeles in the merger this fellow Russell Kent. Russell Kent was a security analyst. So they put him in charge of trying to straighten out the investments. Prosser went up to handle the other side of it, and the person who was really in charge--

Chall: The other side being what?

Browne: The tax-exempt securities and investments in government bonds.

Chall: What was Russell Kent doing?

Browne: He was in charge of the total operation. Essentially, as an analyst, he was handling the corporate bonds. Overall was an individual we just called Buzz Geary, and he had come from the First National Bank of Portland. I think he was acting in a quasi-cashier's role. That was removed from the [proxy battle?]--they were there. If the proxy battle had gone the other way, I'm sure they would have been out on their behinds. But they stayed, and performed that function.

I was left to carry on essentially the investment banking function, which evolved into handling security orders from the various branches of the bank. Some of the salesmen who had been in the proxy battle, they formed their own firm. They left, and there were other organizations that had been created that were part of this, and they formed their own firm. They all looked to the bank for business.

Digression on Early Salary and Retirement Policies

Chall: I had read that during the Depression the employees had been asked to accept salary cuts. Were you asked to take a salary cut? I don't know how much salary you had to cut.

Browne: Well, they didn't do any wholesale firing. They tried to do things by attrition. One of the favorite methods used to equalize pressure on employees was to have task forces. They'd have surplus personnel, and they'd put them together as a task force, and they would move the task force into work areas, branches, to provide additional strength without adding any personnel, and to give expertise. And gradually, that would--in my case, I just gave up on any promotional increases. You worked a little harder, worked a little longer, but you didn't make any more money. But it was a cost-cutting approach, and they were,

like many organizations, floundering as to how they were going to maintain their stature and be able to conduct business.

Chall: Oh, yes. I noticed that early on, around 1924--I wondered whether this had continued--that the bank set aside about 40 percent of net earnings as a gift to workers--and how much depended on what he had saved toward his salary, and the amount of bank stock he'd purchased, which would be matched, plus his length of service, plus his own pay, and plus whether he was single or married. The object was to reward officers and employees for "'refraining from all outside interests and attending to the business of banking.'"[1] The stock was delivered at the end of twenty years. Did you ever get in on a plan like that, or had things changed between 1929 and '30, '31?

Browne: Typically of the time, there were no pension plans. A pension plan was instigated in the late 1930s, and then it was abandoned or changed on that basis. They had profit-sharing plans which varied, and the original idea is that it was based on the dollar amount of your annual salary and usually based on the maximum at the time, the number of years of service, and I think also it was graded according to your official role. The chances for stock ownership took place periodically. Of course, you could get stock dividends, if that was what they were declaring. But you could also have the right to purchase stock.

But the vesting of your holdings took place I would say between ten and fifteen years. And then ultimately, they speeded it up. I know from my background, I had a bundle of certificates of Bank of America stock, the share amount per certificate ranged from one to five shares, so I would get these little dribbly amounts. [laughs] And ultimately, that became a headache, they realized that they had an awful lot of stock out there that didn't amount to much. But that was the profit-sharing program.

Then in passage of time, the profit-sharing program would be blended in to a pension plan approach. They would always credit your social security, so you would get less on your pension plan. The theory was that a 50 percent pension would be about right. It didn't always work out that way. But if you had other benefits, they would throw that in.

Of course, they had other plans of rewarding employees with stock. Now they have a very much more aggressive program to

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[1]Marquis and Bessie Rowland James, Biography of a Bank: The Story of the Bank of America, N.T. & S.A., [New York: Harper and Brothers, 1954] p. 210.

encourage the staff to be productive. But, in the days of the 1930s and 1950s, it was a matter of evolution. The bank was always concerned. They seemed to be behind in their ability to keep up with the marketplace.

The Municipal Bond Department, Bankamerica Company, 1936-1941

Chall: Now we'll go into greater depth to your work in Bankamerica, '36 to '41. We've already covered a bit of it.

Browne: Up to the time of the split [between BANCO and B of A], Bank of America had Russell Kent and a very small staff. So when Prosser went up there, it gave it more stature and more activity. The idea was that we knew that the Bankamerica Company was going down the drain, because of the Glass-Steagall Act. It had to be liquidated, sold, or absorbed and its activities changed. So they decided to let it slip. It was done by magic, by virtue of the creation of stock holdings in related organizations, it gradually disappeared. They used mirrors on it.

So there I was in 1936, carrying on the essential investment banking function. Bankamerica Company was handling brokerage orders from the branches of the bank, and they had a sales force which was peddling securities where underwriters would offer you a chance to participate. Investment banking was beginning to change because of the Securities and Exchange Act in the 1930s. You couldn't do what you had formerly done.

The other facet which was taking place was that, by the passage of the-- See, there was a banking act of '33, and a banking act of '35, and this provided the bank with the opportunity to merge banks held by Transamerica Corporation into their banks. It also gave them the chance to engage in other activity. But they couldn't engage in the security activity, because that had been limited. So the bank was beginning to emerge in a different way.

Bankamerica Company was just no longer in the cards. But Transamerica was going to liquidate its holdings of Bank of America stock. That was done by selling the stock to underwriters, and sometimes they had a very good deal, sometimes it wasn't that good. But gradually the stock was moved out, and the proceeds of that were being used to reinvest in other securities. And this is where a whole change in the concept of Transamerica took place, because one of the early thrusts was to be the key in nationwide banking, and presumably worldwide

banking.

A.P.'s approach was that. The portfolio of Transamerica Corporation at the point in time when I became involved in it, they had stock in so many organizations, they had--of course, as a result of the sale of the Bank of America N. A. in New York to National Citibank, they had this huge block--I don't know how much of it--it was 10 percent--well, not 10 percent--it was somewhere around that, of a National Citi stock. And then they had stock in the San Francisco bank, and the other banks. They had stock in the Crocker Bank, they had stock in the Security Pacific--and all of these potentially were going to be the basis for merging. So it was decided, I guess, that they would get out of the holdings of bank stock, and invest in other things.

Chall: Is the Transamerica Corporation still affiliated in some way with the Bank of America?

Browne: Oh, no. It's completely separate. There is a good relationship, I think because due to the passage of time, the stockholders in the Transamerica Corporation and the stockholders in the Bankamerica and so forth, [inaudible]. They also had affiliates with Occidental Life Insurance Company. For instance, they handled insurance for Bank of America for quite some time. And there were other minor items. They just control it, so the relationship was there. Jack Beckett is the former president of the Transamerica Corporation, and I think he's chairman of the executive committee of Bank of America.

Chall: In reading the Biography of the Bank, I noticed that the directors were often the same people. I wasn't quite sure whether that was still the case.

Browne: No longer, no. I would say that the mixture for Transamerica has been good. Their major concern is the ability to select investments, and to capitalize on those. They're not permanent investments, where formerly they seemed to be permanent investments. You would have a holding, you sat on it, and that was it.

Now, it's to keep things rolling over, and approving their role. And that was one of the reasons why Jack Beckett became president of Transamerica Corporation. He came from Blyth and Company as a security analyst. One of the first things he did was to start cleaning up the portfolio and investing in other securities. That's what they do now.

Chall: Let me back up a bit with a question. When Prosser was transferred to the Bank of America, and you were retained at

Bankamerica Company, was Mario involved in this decision in any way? It looked to me in your material as if he had been.

Browne: Yes. I think I had mentioned to you that the Gianninis were very much interested in the securities market. I won't say it was an obsession with them, but they were more interested in stocks and bonds, and an investment affiliate was something that they would keep their eyes on. They were very interested in our function, because they used the investment function to further some of their plans, particularly in Transamerica.

So Mario made the decision, though A.P. frequently was in the background. When it came to my case where the desire was to move me up to the Bank of America, the concern by--in this particular case it was W. H. McGrath--[was that] they would be stripped of production. So finally Mario said, "Well, just stay down there, and we'll work it out from there," and gradually that's what happened. I came back to the bank later on. At that point, the decision was made by Mario for me to stay there.

Chall: And then at that time you were dealing in the bank's own investment portfolio?

Browne: I would get access to their portfolio, because I was disposing of it. And also I would buy for them, and I also was conducting business as an investment banker with the capital of the Bankamerica Company. So we'd underwrite and deal in securities independent of the bank, but we acted for the bank, particularly when it was necessary, because they weren't investment bankers. They were just an investing institution.

Chall: You were in a phase-out phase, weren't you, for dealing in some types of securities? Corporate securities--?

Browne: No. I kept that. Tax-exempt securities, government securities--I could do it at Bankamerica Company, but I was essentially involved in what we would call authorized securities under the Glass-Steagall Bank Act. You couldn't underwrite and deal in corporate securities unless it specifically said that.

You see, during this particular period of time, why, it was a very fascinating challenge in this particular department where I was speaking for the bank. We had the RFC [Reconstruction Finance Corporation], which was involved in not only helping to finance industry and banks in particular, but they were also helping to finance the needs of state and local government. And in California, we had as you may recall Ham and Eggs and EPIC [End Poverty in California]. These had a rather severe impact on the value of state of California securities, because there was a

BANKAMERICA COMPANY

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485 California Street

INVESTMENT SECURITIES

LOS ANGELES
650 So. Spring Street

OAKLAND SAN JOSE LONG BEACH SANTA ANA SAN DIEGO

SACRAMENTO STOCKTON FRESNO SANTA BARBARA RENO

MEMORANDUM TO: REPRESENTATIVES

RE: CALIFORNIA MUNICIPALS AND THE HAM AND EGG ELECTION

The action of the California Municipal bond market recently has reflected to a certain extent the threat of Ham and Eggs. There is no denying this threat which we pointed out to representatives in our memorandum of August 9, 1939.

Careful analysis of pre-election reports convince us that the measure will be defeated, though the danger of its passage will not be dispelled until the results are known after the election. This is merely our opinion on a proposition which can only be decided by the electorate. We are not presenting this to you with the idea we are recommending clients to take action before election, but to afford a basis for constructive work with your clientele.

The gauge of success in defeating Ham and Eggs will be the plurality. There is no secret that the opposition is seeking to pile up as large a vote as possible, so as to stifle, if possible, its recurrence.

We would anticipate the California Municipal Bond market to strengthen in relation to the plurality of the NO vote. Prior to election we may see selling by those not wishing to take a chance and some buying by those convinced, as we are, the measure will be defeated.

In keeping with our memorandum of yesterday, please see that your clientele is covered on this subject.

A. K. BROWNE
Municipal Department

November 2, 1939

question mark--where is the money coming from? You're going to bankrupt the state, et cetera.

So during this period, we were dealing in securities that we had acquired from the RFC, we were trying to offset the inroads of EPIC and Ham and Eggs, and I would say that the function of our particular department was speaking for the bank and dealing with this particular problem.

Chall: This is Bankamerica?

Browne: Right.

Relationships with the Reconstruction Finance Corporation

Chall: How did you work with the RFC?

Browne: Let's take one example: the California Toll Bridge Authority, for the San Francisco-Oakland Bay Bridge. The original financing to start the Bay Bridge was a small bond issue underwritten by the Oakland and San Francisco Clearinghouse banks. And then it became a contract on the RFC. So any time the California Toll Bridge Authority needed financing, the RFC would buy their securities. So they were building up their portfolio. But Jesse Jones, who is the person who made the ultimate decision, I think he recognized that there was a limitation on the amount of capital that he could use, the treasury couldn't continue to provide this money, so he would have to capitalize it.

He was a pretty shrewd Texan, and he was always trying to trade. The Gianninis had become very welcome in Washington, and it was an extremely <u>good</u> arrangement because when they needed help of any kind, they had a sympathetic ear. Whereas in California, they had had some very serious rebuffs. I can still remember Jesse Jones putting the bite on Mario Giannini to take some of the securities off of his hands, and that would come back to Mal Prosser and to me. Sometimes, Jesse Jones just put his own price on it, and Mario would commit. We had the end result.

The securities that were brought in substantial volume by the Bank of America from the RFC were bonds for the Metropolitan Water District of Southern California, and the state of Arkansas--can you imagine? So, we had the funds that could use the securities, and the tax-exempt nature was helpful in the bank. But again, given the passage of time, in order to make sure you have adequate coverage for dividends, there was desire to sell

securities. So then I was involved in the selling and liquidation of these securities over a period of time. A lot of that came back to me after I returned from military service.

Chall: Were these long-term bonds?

Browne: Yes. The Metropolitan Water District bonds, I think, ran out forty years. The Arkansas bonds probably ran out about twenty-five years. And this was a bail-out of the state of Arkansas to encourage the development of a highway system to encourage the economy, and they were general obligations of the state of Arkansas. Actually, it had almost gone into default. So that was one of the real challenges I had after World War II, was the liquidation of those securities for a profit.

Chall: How do you liquidate something like that for a profit? Who purchases those, thinking that they will ultimately also make some kind of profit, I assume?

Browne: Well, in the case of the Metropolitan Water District bonds, because we were dealing in fairly large amounts, probably selling twenty-five million--this for an average, in today's market that would be small, but in those days it was a fairly good-sized figure--we would form a selling group. We would invite certain other banks and investment bankers to join with us, and they'd have a liability. It would be shared according to some formula, sometimes equally, sometimes not. So each one would be responsible for that percentage of their underwriting. We would agree on a price for which the bonds could be sold to the public, and if they were going to be sold professionally to other dealers where they are entitled to a discount, we'd arrange that. And then we would in turn share the profits after the expenses.

Of course, we didn't always hit the market the way it should be, and on occasion we had to swallow what we had. We were better able to swallow it than some of the others. And frequently, we would help bail them out and then hold them for another day. It turned out to be quite profitable.

Chall: Obviously, when you're doing that sort of work, you do have to know what the situation is.

Browne: Yes, certainly you can't do it off the seat of your pants. And today, the equipment that is available for research and targeting your marketing technique has so much improved, so it's a lot easier.

BANKAMERICA COMPANY
INVESTMENT SECURITIES
SAN FRANCISCO
485 California Street
LOS ANGELES
650 So. Spring Street
OAKLAND SAN JOSE LONG BEACH SANTA ANA SAN DIEGO
SACRAMENTO STOCKTON FRESNO SANTA BARBARA RENO

MEMORANDUM TO SALESMEN:

RE: METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA BONDS

We are forwarding a brief circular covering the above District for reference purposes. You will note we are offering a sizeable block of bonds which we purchased jointly with The Anglo California National Bank, Weeden & Co. and William R. Staats Co.

The new offering has met with considerable success, and we suggest you review the circular carefully as we consider this issue one of the most attractive California Municipal issues available in the market at this time. With higher Municipal markets and lower yields, it is becoming very difficult to obtain a 3.00% tax exempt yield, particularly on "A" rated bonds.

We maintain a continuing interest in "Metros" and recommend them for conservative investment.

Additional data is available in our files should you require further details.

A. K. BROWNE
Municipal Department

July 11, 1940

Relationships Between the Bond Departments of Bankamerica and Bank of America.

Chall: I noticed that during this period that we're discussing now, between '36 and '40, when you were in one bank and Mr. Prosser was in the other, that he wrote and asked you about the activities of the Municipal Bond Department of the Bankamerica Company regarding bidding on new issues of California municipal bonds. And then he in turn reported your memo to Mr. R.G. Smith, the vice president and cashier in the San Francisco headquarters.

What was the rationale for asking you, more or less, to defend your position on what you were doing? Were they responsible for what you were doing? In other words, what was your relationship with Prosser, and where else were you supposed to report what you were doing? To whom else?

Browne: Well actually, at this point in time I was reporting to W.F. McGrath and his successors. Prosser was reporting to Russ Kent and to Russell G. Smith. Russ Smith, as cashier of the bank, was essentially charged, organizationally speaking, with the bank's investment portfolio. And I assume what happened in this particular case is that he would have been asked as cashier, "What's going on?" So then he would go to Prosser, because they were in the same building, and I was on Montgomery Street. They were in Number One Powell Street. Prosser had nothing to do about it.

I was the one that had the data and I was trying to--shall I say--solidify my role, because I had felt my activity should be up at the bank, away from where I was, because I was acting for them. I felt that I could perform much better if I had no limits.

Obviously, the Bankamerica Company, its capital situation had changed. It no longer had the full backing of the Bank of America. It was now owned by someone else, and so I don't recall exactly what the financial statement was, but we couldn't borrow except by nice arrangement with the bank. And of course, now that's verboten; you can't do it.

But in those days, my relation was to the head of the Investment Affiliate, and there was no interference whatsoever. Prosser was, you might say, was almost a co-worker, and Russell Smith was in charge. We felt they still had the umbrella over us, and we were part of it. As a matter of fact, Russ Smith and I maintained a good relationship over the years, and when I returned to the bank, he was the one that got me to return.

Chall: I see. Because you did return in 1941.

Browne: And Prosser had left. I will take it back. Prosser was there for part of this time. He left while I was in the service.

Chall: In 1940 to 1941, you were promoted to assistant vice president, continuing as manager of the Municipal Bond Department. I'm taking this from your own material. You reported to the president.

Browne: The president of the Bankamerica Company.

Chall: I see. And that was--

Browne: At that point in time, it was probably Fred G. Stevenot. I think there was a winery named after the family. I always remember he had a brother who was the archbishop of Manila. We used to call him [Fred] a real cowhand; his background was farming and cattle raising. He was one of A.P.'s great supporters and good friends; used him for many things. He was involved with what they call the land banks, and he headed up one of the land banks for a period of time. The Gianninis used the land banks as another vehicle in their corporate control phase.

Chall: That was in the field of agriculture, wasn't it?

Browne: Yes.

Chall: You were still with the Bankamerica at that point. What does it mean to have become assistant vice president? Were you in fact going to be doing different work from what you'd been doing?

Browne: It gave me the authority to commit on my signature for various corporate matters, including the investment banking function. Assistant cashier was fine, and usually the bank has a handbook which indicates the different roles of the different signing officers. And this was just a step in that direction. As a matter of fact, for my age it was unusual, because assistant vice presidents were really moving up.

Chall: Well, you were moving up, and you were still relatively young. You were younger than Prosser by many years?

Browne: Prosser was about ten years older than I.

Chall: And younger than Stevenot?

Browne: He would have been about fifteen years older. Quite a bit older.

Chall: Was your department getting bigger? There is an awful lot of hierarchy here in the Bank of America, and always has been, it seems. Did you have different people beginning to report to you?

Browne: Well, we were really trying to build the operation into a more profitable program, which meant we'd have to have additional help. We did have a Los Angeles office, and we also had opened a New York office, which was a factor. That created its own problems. So there was more responsibility, more personnel, and our commitments were greater.

Yet, at the same time, I felt rather uncomfortable. In the passage of time, Bankamerica Company had been sold down the line, and the new personalities coming in to take over were just--we were just not thinking the same things. It became pretty obvious that I wasn't going to stay there very long. I was being removed, more from the Bank of America role which I had fought for, and felt should continue. So that was the change. So being assistant vice president was good. But when I returned to the bank, I accepted an assistant cashiership, because I began to run into the ego of other people who would have been upset if I outranked them. I, being the younger person; they had more seniority. So, that was part of that deal.

Chall: This is a problem with mergers. Your Bankamerica Company went out, just disappeared.

Browne: It was called First California. That has pretty well disappeared. There is some of it left, but it went out of business. When they lost the Bank of America backing, they became--shall I say--unattractive. People didn't care for them.

Effecting Corporate Changes: The Decision Makers

Chall: I know that the laws required these changes, and so the bank had to comply, and it complied as you said in some cases--with mirrors--whatever. But in this period of time, and within the next decade or so, there just seemed to be so many shifts and mergers and reorganizations. Who sat around and plotted all this out? How were these changes determined?

Browne: Well, the major seat of decision-making were the Gianninis. The Gianninis were backed by a very close group, sometimes you might call it the executive committee of the bank. Sometimes it was even a closer-knit unit. The Gianninis had the ability to attract some very talented people who were able to do things for

the Bank of America that other banks weren't able to do. And this is where the branch banking world took place.

The development of Transamerica Corporation as an investment-holding company was pretty much their program. They created these corporate entities where they could have a subsidiary and the stock would be owned by Transamerica Corporation. Or they would have part of it owned by Transamerica Corporation, and part with some other organization.

So they kept creating these entities, and they all had to be thought through. During the 1930s, another thing that I was involved in was the liquidation of assets of merged banks and insurance companies. Well, someone had to make the decision to buy those organizations. And then someone had to make the decision about what they were going to do with them. Sometimes they were totally merged, sometimes they were liquidated, sometimes they were kept as an affiliate, sometimes they were not. That took place.

The Gianninis had a great deal of legal talent, and they had awfully good banking talent. One of the individuals whom I've not mentioned is R.P.A. Everard. He was a cashier of the bank at one time, and he became assistant to the president. His background was accounting. He was a Scotchman. A lot of our banking talent came from Scotland, England, and Canada. They would review the things. They had good legal talent; they had good tax talent. The legal talent varied, because there were so many different facets they had to follow. They didn't really have much of a lobbying organization, but they were beginning to develop that where they would have good representation in Sacramento and Washington.

But the planning and plotting was there, and of course we were all encouraged to submit our ideas on things which we thought might be helpful; trying to be very competitive and more profitable, and to establish an image. That was the challenge; it was this "back to good times" approach. It was how people were being encouraged to think positively, and move forward.

Mario Giannini spent so much of his time thinking out problems; he was ill, and he wasn't able to be very physically mobile. A.P. was great on ideas, so we had that challenge to us.

Liquidating the Assets of the Corporation

Chall: I see. When you were responsible, as you said, just prior to the war for liquidating a lot of the assets of the corporation, how did you go about doing that? That would be somewhat different from selling your securities?

Browne: Well, the first course was to determine that we really had the assets to sell, and it was tricky because some of the records were inadequate. Finally, in many cases, it meant physically examining the securities to see that they were valid, hadn't been cancelled, proper description, and so forth.

Chall: How about an insurance company? I mean, a real entity, an institution like an insurance company or another bank, or some of these things that you had to liquidate?

Browne: We had several insurance companies which were acquired by Transamerica and were merged into Occidental Life Insurance Company. They could take the insurance policies and have a reserve against them, but the securities which were there and had been seized by the insurance commissioner of the state in which they were incorporated were really something. I think the assets from these insurance companies were really weird. They had invested under the laws of the state in which they were incorporated in some securities which I would say would have been ineligible or almost illegal. So it was a real challenge to find a market for the securities, and dispose of them. Those were the out-of-state.

In California, the banks that were acquired had a lot of securities which were bought originally by the bank, and put into their portfolio. They were municipal securities, where it was generally required that you have a legal opinion from a bond attorney indicating the bonds are legally issued and binding on the issuer. We found that for many of these very early issues--in other words, going back to the early 1900s--there was no legal opinion. And another thing we found, some of the securities were issued before the state law was changed; they were taxable under the California law rather than tax-exempt. So that was another factor.

And then there were bundles of securities which were in default, and the question was, how do you secure payment, if at all? Have statutes of limitations taken place? So there is a legal interview, and there's an economic interview, a statistical approach, and then trying to market them. So, in addition to other things, that was part of the program.

Chall: And with whom would you work to make some decisions?

Browne: Well, I made all the decisions.

Chall: Did you have to do your own research?

Browne: That's right. We had minimal statistical organization.

Chall: Legally, you would have to--I mean, some of these issues, as you said, might go way back, and you didn't even know whether they were still valid.

Browne: That's right.

Chall: You'd have to do your own research on that?

Browne: We built up files on them. Sometimes there was enough information, and if they had kept their papers, well then we'd take them to one of our attorneys and have them review it and render a decision. Sometimes, the securities could be mutilated, and that would limit or exclude their having market value. So then sometimes we could have new issues prepared, signed--

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Much statistical research on state and municipal bonds has been developed, and I think we did a great deal at the Bank of America to do that.

Chall: Were there cases against you; was there litigation occasionally?

Browne: No. We were generally the ones that were litigating on the other side. In other words, we were trying to enforce payment. Ultimately they worked out. But of course in most cases, when securities have been written down to a nominal figure, there was usually a pretty good recovery.

The Bank of America and the Economy of California##

"Back to the Good Times," 1932

Chall: You mentioned earlier, "Back to Good Times." That was an idea of A.P.'s primarily?

Browne: Yes.

Chall: Was this in order to show that all was well and we should have faith in America, faith in the bank?

Browne: I think he certainly had that in mind. Also I think it was predicated on if the economy in California was to be saved and improved, it would certainly benefit the bank, because of the branch system and its commitment to loaning to Californians. So it was really giving it a transfusion.

Chall: Now, did you have a particular other role to play? Were you asked to do anything special in terms of the bond department?

Browne: Essentially, what my role was was to be active in bidding on the state and municipal bond issues. It was a two-fold purpose. We were using depositors' money in the community, and we were returning it by purchasing their securities, because most of the issues were for school purposes, water, street, a few public buildings, and so forth. So more activity there. Also the question of the level of interest rates, that was important.

But on top of that, the bank would receive a deposit--let's say the city of King City sold a $100,000 bond issue for a city hall. Some ninety days after the sale they would have $100,000. They probably had not spent anything beyond a minimal amount for expenses.

So the question could be raised of having that money deposited in the bank. We made very certain that we would have deposits. In many cases, this was a tremendous asset. I can remember a few issues that the money just wasn't used for a long time.

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We bought Los Angeles County Flood Control District bonds. There were a lot of things that turned out to be fairly substantial. But RFC was taking over some of this activity also, and they took the bonds out of the marketplace. There were a lot of residual bond issues where people had voted them but the money had not been spent, and they would come to market. Public deposits were a very important factor in the financial statement of the Bank of America.

One of the reasons why is that when you take a public deposit from a political entity, under state law--they have what they call a public deposit law--those deposits have to be secured by eligible investments. Let's say, if it was the city of Long Beach, and they put a million dollar deposit in the bank, they would probably have to have a million plus eligible securities in their hand as security for that money. So you had to think about

investing in the securities which are eligible for securing those deposits. We wouldn't get the tax-exempt [inaudible], you see. That's fine. They would not be concerned about it, but they had the security.

But on the financial statement, you write down your deposit, you'd see how much of that money came from public entities. Now, the federal government does this. They deposit funds in banks, in financial institutions, which have to be properly secured. But in this case, getting public deposits was a big thing for the bank, particularly during those difficult years of the 1930s. It was something that our competitors didn't fully appreciate, and only learned about it too late.

The Golden Gate Bridge Authority and Highway District Bonds

Chall: I see. The Golden Gate Bridge Authority and Highway District was organized in 1932, and you have mentioned in a letter to Mrs. Baum [dated March 31, 1987] that there was an error in the details in the bank's report to the shareholders for the fourth quarter of 1986 regarding financing of the Golden Gate Bridge Authority. Could you tell me what that is, and what the difference is between you and the bank's report?

Browne: Well, again I think the problem with the bank and its public relations personnel developing publicity for shareholders and depositors [is that] they, I would say, don't have the detail in mind, or they shift it a little to serve their particular purpose. The story on the Golden Gate Bridge and Highway District financing, which was a key factor of this fiftieth anniversary, is the role that A.P. Giannini played.

The issue of the Golden Gate Bridge and Highway District bonds, that was $35 million, had run into problems in authentication. There was a great deal of antagonism about Golden Gate Bridge and Highway District going forward. So it was held up in the courts. But the desire of the Golden Gate Bridge and Highway District was to get going.

So a commitment had been made by discussions with Russ Smith and A.P. Giannini to buy $6 million worth of Golden Gate Bridge and Highway District bonds. The bonds bear 4 3/4 percent interest. The market level at the time was equivalent to 5 percent, which would have meant that the bonds were worth a discount, and that was a factor. But A.P. said he'd do it, and the first thing was that it required $3 million worth of the

Alan Browne and a representative of an advertising firm, watching the Golden Gate Bridge being built. Mid 1930s.

securities.

But A.P. decided that he didn't want to keep the securities as such; this was a gesture to support the program. Bankamerica Company at the time had formed a syndicate to bid on the issue. Other syndicates had been formed to bid on the issue. So Bankamerica Company syndicate was sitting on their hands, because the bank had committed. But there was no problem, because the bonds were not sellable at the time. A.P. arranged through a contractual deal with our syndicate that he would sell the bonds, or the bank would sell the bonds, to our syndicate at a bid, and they would take a commission of five dollars per bond for doing that. It was up to the syndicate to make sure what they were going to do.

So what the syndicate did was they negotiated for the Golden Gate Bridge and Highway District--that's the syndicate, now, not the Bank of America--to purchase the thirty-five million bonds, less the six million commitment, and to provide the money when it was needed at whatever the going market was, to be negotiated so there would be no question about it. So the syndicate obtained the contract to buy these securities, and for every bond that was sold, the Bank of America got five dollars.

But the syndicate had to face up to the loss, and the potential profit. And of course, all the competitors were trying desperately to break the thing down, as though this was unfair and improper and so forth.

So the difficulty at the Bank of America has been that they don't recognize that the Investment Affiliate of the bank, the Bankamerica Company, was a manager of the syndicate that bought all the bonds except for this first commitment. And we bought the bonds from the bank that they had, and we were the ones that put up the money, distributed the bonds, and negotiated for the purchase over the period of time that they needed to raise the money. They just don't see that.

They want to make A.P. sound great, and I have no objection to that at all, but we were part of the action, and a lot of other people have sort of walked into it without any understanding. They don't seem to appreciate what was done. All they'd have to do was look at the transcripts, because I signed all these contracts on what was being offered. So that really was the problem.

Browne: The one thing about the Golden Gate Bridge and Highway District financing that the bank couldn't even deal with, and that is that we had all sorts of characters on the Golden Gate Bridge and

March 7, 1987

Corporate Public Relations 3124
Bank of America
Box 37000
San Francisco, Ca. 94137

Gentlemen:

I read with great interest the "Report to Shareholders" for the Fourth Quarter 1986.

Having been the manager of the Syndicate that purchased the $29 million Golden Gate Bridge and Highway District bonds, I should like to point out that the initial purchase of $6 million was A.P.'s decision - even though the question of legality was in the courts. Subsequently the bank sold $3 million to the underwriting syndicate and retained the balance of $3 million. The bank was paid $5 per $1000 bond on the $3 million sold to the syndicate and received a fee of $5 per $1000 bond on the remaining $29 million bonds as they reached the market through the underwriting syndicate. Management of the underwriting syndicate was in the hands of Bankamerica Co., wholly owned subsidiary of Bank of America, NT&SA as the bank did not engage in investment banking after passage of the Pepper-McFadden Act in 1927.

Later the passage of the Glass-Steagall Banking Act of 1933 paved the way for the separation, liquidation or sale of bank investment affiliates. The bank resumed its investment banking role in 1941 through the Bond Investment Department. I am sure the files will record this information, including one of my speeches on the subject.

On page12 there is reference to "the first bond purchased for construction of the Alameda Tube in 1905". The records will show that an issue of $4,496,000 County of Alameda 5% Estuary Tube bonds dated 6/15/23 were marketed.

The Bank of Italy was incorporated in 1904 and was in no position to underwrite municipal bonds. I think you will find that the only crossings between Alameda and Oakland (prior to 1923) were linked by vehicular bridges and a railroad crossing.

Thought you might like to know in case a shareholder, or a security analyst raises a question.

Sincerely,

Alan K. Browne

AKB:sh

Bank of America

San Francisco Headquarters

April 15, 1987

Mr. Alan K. Browne
1113 Singingwood Court
Walnut Creek, CA 94595

Dear Mr. Browne:

You are absolutely right!

The initial purchase of $6 million of the Golden Gate Bridge and Highway District bonds was A.P.'s decision. Half of the bonds were sold to the underwriting syndicate and Bank of America retained the balance of $3 million. The underwriting syndicate was comprised of Bankamerica Company, Blyth & Co., Inc., Dean Witter & Co., and Wedden* & Co. Bankamerica Company, a wholly-owned subsidiary of Bank of America NT&SA, managed the syndicate since the bank did not engage in investment banking.

However, during the editing process we decided to use only the name of Bank of America in the article rather than all three -- Bank of America, Bankamerica Company and BankAmerica Corporation. Otherwise, it becomes too confusing for the average reader, and in some instances looks erroneous.

The reference on page 12 was not intended to indicate that Bank of America had purchased the Alameda bonds in 1905. Rather it was to illustrate the number of years the bank has been involved in community endeavors. Again, we decided to use the name of Bank of America rather than Bank of Italy to avoid confusion.

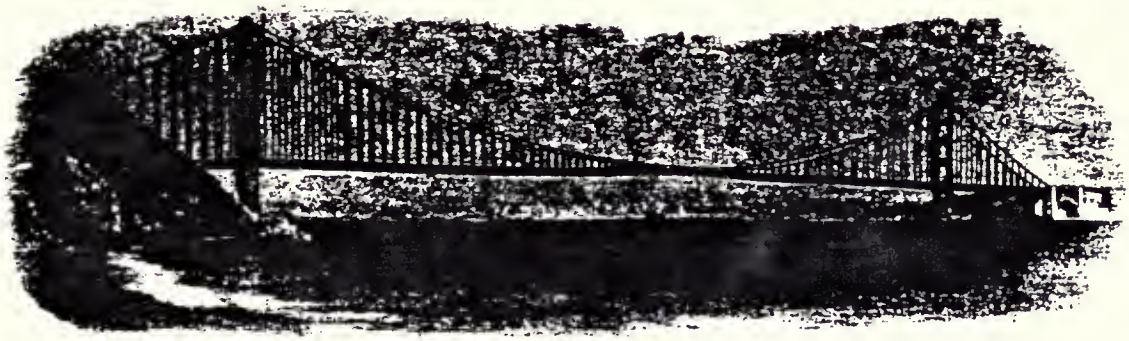
Thank you for calling these facts to our attention. You are obviously not "the average reader" and we appreciate your taking the time to comment on our feature story.

Sincerely,

Bernice Riordan
Corporate Public Relations

cc: Cheryl A. Knowles-Sorokin

*The name is spelled Weeden according to Mrs. Alan Browne.



The Directors and Officers
of the
Golden Gate Bridge and Highway District
cordially invite

Rev. A. K. Brown

to attend the ceremonies in connection
with the opening of the
Golden Gate Bridge
to traffic, on May 28, 1937, at ten o'clock A. M.
at Crissy Field
Presidio of San Francisco

R. S. V. P.

Directors

William P. Filmer, Pres.
R. H. Trumbull, Vice Pres.
Arthur H. Brown, Jr.
Frank P. Doyle
William D. Haddeler
Harry Lutgens
Thomas Maxwell
John P. McLaughlin
Joseph A. McGinn
Hugo D. Newhouse
A. R. O'Brien
Warren Shannon
Richard J. Welch
Henry Westbrook, Jr.

Engineers

Joseph B. Strauss, Chief Engineer

Consulting Engineers

O. H. Ammann
Leon S. Moisseiff
Chas. Derleth, Jr.

Officers

James Reed, General Manager
W. W. Felt, Jr. Secretary
George H. Harlan, Attorney
Roy S. West, Auditor

Highway District Board--officials from the counties that made it up: the general manager; one who we used to call the red-headed telephone operator, who was a matter of scandal in the news press at the time--and negotiating with some of these characters was really something.

I think I did mention to you that one of my assistants who I still see periodically, who worked for me in the investment department, his father was the general manager. His name was Reed, Commander Reed. He was a retired naval officer, one of those that was shed during the period around the 5-5-3 ratio between the British, American, the Japanese--you know, they cut back on the navy and army. So a lot of Annapolis and West Point graduates just had to go out into the business world, and he was one of them. He became general manager. Quite a person.

Browne: His son was my assistant. But I had to deal with his father before I knew the son.

Chall: On the Golden Gate Bridge--?

Browne: Yes, he was general manager for the bridge, all through the construction period.

Chall: And you had to deal with all these others with respect to purchasing the bonds?

Browne: What I had to do was to attend a finance committee meeting of the Golden Gate Bridge and Highway District, and present a formal bid with a good faith deposit for the purchase. And to justify the level that we were willing to pay for the securities. Obviously, there were a lot of people on the outside, their best friends, and they were trying to jettison our bid. They would have wanted to compete. But we always paid a very fair price, and frequently paid more than the market, and it was justifiable. So there was no serious effort to disturb us.

But it was kind of fun, because we were dealing with some pretty senior and rather opinionated individuals.

The Alameda Tube; The East Bay Municipal Utility District

Chall: I see. And the same with the reporting on the Alameda Tube? You said that was an error.

Browne: That was an error. [laughs] They just missed the date. The bank

did not buy the bonds at all. They weren't even sold. The tube was built at a different time, they just got confused on the details. We bought the East Bay Municipal Utility District bond issue, which got a lot of publicity. We bought any number of issues, but again, looking for detail.

I thought it was appropriate, when you're sending information out to shareholders and to customers, to make sure it's accurate. And they didn't check the action. The people in the investment department of the bank, successors to my role, maybe I know one or two, but I doubt very much whether they would remember any of this. This is all pre-World War II, and they weren't around.

Chall: I don't know in what state the archives are; they may not have gone down to check it.

Browne: I would say they probably didn't. I was desperate in terms of fighting for the maintenance of records, because they were extremely important. First of all, there's a potential tax liability if you don't have certain records. The other was that, from a historical standpoint, you really want to know where you stood. We used to fight tooth and nail for our prestigious position as the underwriter and the manager. Today it's a little different story, but it was very important in those days. If you didn't have the records, you couldn't fend for yourself. That was about it.

The Department of Water and Power, Los Angeles

Chall: Now, the Department of Water and Power of the city of Los Angeles. You've mentioned that you had played a key role [through BANCO] in launching the initial revenue bond issue of the Department of Water and Power. They were going to acquire properties from Southern California Edison, and Guy Meyer approached you to buy the bonds privately, "but I stated it should be a public competitors sale, and it was. We were members of the underwriting group and at a later date we headed a syndicate that bought the first issue of the Water Revenue Bonds." What did Meyer mean by having the bonds bought privately?

Browne: Guy Meyer--a very interesting person, we became good friends over the years--he was especially adept at negotiating the purchase of bonds that were issued for utilities. Generally, taking over a privately owned utility, and creating a public entity-- It's just

like if San Francisco wanted to take over PG&E, they'd have to pay for it. So the idea was to negotiate a price which would be favorable to the stockholders, and he made sure that the stockholders would get a good break. Meanwhile, you'd issue tax-exempt securities, and they would be underwritten and distributed by a syndicate, which would be also profitable.

The city of Los Angeles wanted the acquisition of Southern California Edison properties for their development of the Department of Water and Power. The city was engaged in some of this, but not all of it, so they wanted to close it. Southern California Edison still continues to perform its mission in other areas. But this was for the city, and they couldn't do it. The market was against them, and there was a lot of politics involved in it.

I remember on this particular occasion, I had a call from the front desk that Mr. Guy Meyer would like to see me. I wondered what he wanted, because his name was well known. He came in, and after due introductions and discussion, he finally got around to this. He said, "How would you like to buy the Department of Water and Power bonds?"

I said, "It's a nice idea. What do you mean?"

He said, "Well, I can deliver the bonds to you."

I said, "You <u>can</u>?" He insisted that he had it under control, all I had to do was to agree, and contractually I would have them. Well, I thought this was something. First of all, Bankamerica Company at this point in time didn't have the capital to--shall I say--take on a very large bond issue. And I thought, well, practically speaking, they should be sold publicly on a competitive bidding basis. This was important because the issuance of revenue bonds in California had just about started, it was something new. The state courts had held against the issuance of revenue bonds except under very unusual circumstances. I felt that was a factor that had to be considered, and that I should have a proper legal opinion on them.

So I declined that opportunity. It would have been very profitable, and we would have probably continued to have a comparable business, but I didn't think it was good for the industry, I didn't think it was the best deal for the city of Los Angeles.

Chall: I see. So you formed a syndicate that--

Browne: Later on we formed it. It was small, but we participated in the major syndicate that bid for the first issue. First of all, it was to acquire the properties, and it was a substantial amount. But then as they issued bonds subsequently for other purposes. They issued them for electric power, and they issued them for water purposes. So the water function was slow in coming, because Southern California Edison had not been too much involved in water, and the Department of Water and Power ultimately was.

So I had the satisfaction of saying we did it competitively.

The Glass-Steagall Act and Revenue Bonds

Chall: What were you able to do with revenue bonds, after the Glass-Steagall Act? You held a lot of revenue bonds. Could you continue to hold them?

Browne: Oh, sure, there was no question about it. The first real revenue bonds in California that meant anything were the issues buying the California Toll Bridge Authority. And then the Department of Water and Power of southern California, two major issuers. Efforts were made to issue water bonds and electric power bonds for small utilities, but they weren't there.

The Glass-Steagall Banking Act, as far as the bank was concerned, or any bank--they could underwrite and deal in state and municipal bonds, but not revenue bonds. Not because they were excluded, just they weren't included. And that's been the battle in the Congress in the United States. I spent an awful lot of time in Washington on that. As I say, they were not excluded; they just weren't included.

Chall: I suppose it's been ruled that that which wasn't included is excluded. No bankers will buy these?

Browne: Well, actually it gave the dealers sort of a freebie, because they didn't have competition. And that's what they've been fighting for, they wanted to make sure they didn't have competition. So the current changes in the Glass-Steagall Banking Act which would permit banks to underwrite and deal in these securities changes that. But I first started involving myself in this battle in 1941. I continued on until I retired.

Chall: Yes. Well, it looks now as if it might be changed, it has been a long time. I just wondered what happened with those revenue bonds, if you held them.

Browne: Fortunately, we didn't have a great supply, but on my return from military service, when there was a great surge of new issue financing, we were faced with legal opinions from various bond attorneys which indicated they could be done. The big stumbling block was our own local bond attorney, Orrick, Herrington and Sutcliffe. They finally came around to it, and O'Melveny and Myers in Los Angeles came around, and they agreed to a test case which would clear it up. That finally cleared it up. We could bid for the bonds, but we couldn't deal in them. Now, we can deal in them.

Chall: Oh, you can?

Browne: Well, you can--under this new change--

Chall: But it hasn't passed--

Browne: No, that's right. But what has happened [over the years], the act has been so eroded by amendments, there are several exceptions, so that bonds issued for certain purposes, even if they are revenue bonds, banks can deal in them. But there are only a few. Generally, they're limited to something like water or school purposes.

Chall: So you say that Orrick, Herrington and Sutcliffe felt that you could not deal at all with revenue bonds?

Browne: That's right.

Legal Opinions and the Bond Business

Chall: I noticed that this firm was used quite a bit by Bank of America, almost exclusively when questions came up. Was there a reason why it was this particular firm over any other?

Browne: The history of the municipal bond business has been that there are relatively few nationally-recognized law firms that specialize in municipal law. By virtue of the passage of time, and developing the reputation, they have continued to be the leaders. Now it's quite different; there are so many more. But they were the ones who more or less established the ground rules on which municipal bond business was being conducted. In California, we really only had two organizations, O'Melveny and Myers, and Orrick's office.

Chall: And O'Melveny and Myers were primarily in Los Angeles?

Browne: That's right. They sort of had a dividing line where they didn't interfere. Now, they're in each other's backyard.

So what we would do is that on a bond issue, we had the chance to accept an opinion which would be provided by the issuer, and if it was acceptable to O'Melveny and Myers and Orrick's office, fine. If they didn't accept it, then we offered to pay for a legal opinion at our own expense, and we'd compute that in our bid. That was kind of sticky, because some of these law firms figured they were capable of doing it.

One of the major factors was not so much rendering opinion based on statutory authority--the courts have had cases, and frequently what the statutes say have been changed by the courts. So that was it. So it was normal and expected that O'Melveney and Myers or Orrick's office would be used for this purpose. Only on occasion where we had some serious differences of opinion would we seek outside legal counsel, and I used to go to New York or Chicago for that.

Chall: Otherwise, you always used them as of counsel for the bank?

Browne: That's right. A couple of times that hurt us, because they had to make a decision as to whether they were going to be our bond counsel, or they were going to be bond counsel for the state of California. When they decided they wanted to be with the state of California, we jettisoned them and selected our own attorneys.

Chall: You do have a legal department, though. How did you use them?

Browne: Carefully. [chuckles] The legal department I think is a misnomer. The bank has house counsel, which varies according to the need for specialized legal service. They have their own legal department, and then they have outside counsel. The legal department is generally concerned with solving legal problems arising from the normal conduct of banking business. They're not specialists in any particular field, but they're good sound individuals.

When you go into a specialized field, then you retain someone, and the bank would usually retain half a dozen different law firms for a variety of purposes. I had been pressured to use the bank's legal department for legal opinions on bond issues. The legal department took issue with me until I proved that his attorneys were inadequate in terms of their expertise and that their opinion was not worth a damn. It took over a year for him to appreciate it, but it happened.

It was another one of these questions of building fences,

and if I'd been in charge of a legal department, I'd want to be sure I got all the legal business. He would see that we were paying legal bills to these other firms, and that kind of disturbed him, but we weren't trying to tread on his toes any more than we would hope he wouldn't tread on our toes.

Browne: One of the major firms we used to use was Thompson, Wood and Hoffman. I don't know what has happened to the personalities there. And the other was a firm which was used in the Golden Gate Bridge and Highway District financing, was Masrick [inaudible] and Mitchell. There was Chapman and Cutler, still in business in Chicago. There's another one, Mudge, Rhodes, and at one time it was Mitchell--that was the Johnny Mitchell--now it's changed.

Chall: But you mainly used Orrick's office?

Browne: As a matter of fact, one of the things that we did, and I probably have mentioned in some of my notes, by virtue of the role of the bank, and in our department, we established the acceptability of O'Melveney and Myers, and particularly Orrick's office, in the national municipal bond market, because there were many of our underwriting partners from the East Coast and the Midwest who would not accept their opinion. They insisted on having an opinion from someone they knew. We said, "Well, too bad, Charlie. We're going to use them for our attorney, and this is what you're going to get."

Well, it didn't take very long before they got the word, because the capability of these individuals, legally speaking, was on par with anyone. But we did that, and we made sure. But generally, so many of our local entities--San Francisco, for instance, used Thompson, Wood and Hoffman in New York. That would have been a standard, and the city of Los Angeles used an eastern attorney. So we broke the ice and had acceptance. I don't think they always appreciated it, because I'm sure they felt they were good enough not to worry about it. But had we not done that, they would have probably been fighting. Now today, it's really like being out in the jungle. There's so many of them. And you know what a law firm's title looks like, and all of its names. You don't know who are the good guys and who are the bad guys.

A.P. Giannini

Chall: Earlier we talked about the relationship between Jesse Jones and

A.P. Giannini and the purchase of Metropolitan Water District bonds. In your notes you have written: "In his many dealings with Jesse Jones, A.P. agreed to purchase a substantial amount of the 208 million Metropolitan Water District bonds from the RFC, which had provided the construction funds. The bank took the lead in bringing these bonds to market through Bankamerica Company, in addition to its own investment. A.P. agreed to purchase a substantial amount--"

Browne: He was the first one. Mario was the one that fulfilled it, but you'll have to keep in mind that Mario's mobility was limited. So when he went to Washington on any business, he was concerned about his ability to get around.

Chall: But I was just interested in the fact that it was A.P. who then sort of committed your department, in a sense--

Browne: Oh yes. That's right.

Chall: So he might just go ahead occasionally and do this without consulting you, but you could go ahead and do what you wanted without consulting him?

Browne: He was awfully good about not trying to surprise us. I think he had great faith in his staff. If for any reason you broke his faith and trust, why that was the end of the world. While we're talking about it, when I returned from military service and I had to assume my role, it was a new role, because Prosser had left and the people who had stayed behind were struggling to establish their bailiwick, and weren't too happy about me.

I found then that there had been a syndicate involving the Bank of America and the Chase Bank, and one or two other organizations, that were buying the city of New York bonds on the theory that they were going to be worth a lot more money, and they figured their activity would be sufficient to improve the price. So, I found that we were in this syndicate, and also that we had a huge holding of New York City bonds. And we were continuing to get confirmations that we had bought so many, because it was being handled by the Chase Bank.

I got quite concerned about it, and found out that Russell Kent had been committing for this in my four years absence. I didn't like them. So I started to liquidate them. I in effect talked with him. I said, "I don't think we should be in this syndicate. I don't think it's worthwhile. I don't think the bonds are worth the price, I think the market's going to hell."

He finally said, "Well, you do what you think you should

do." Meanwhile, A.P. Giannini found out, because he had seen a report of the security transactions, and saw all those New York City bonds. And he just raised hell. He talked to Mario about it, and Mario, I guess, talked to Kent about it, and Kent didn't tell me about it. The end result was that A.P. refused to see Kent, just cut him off at the pockets. That was the end of his career, in a sense.

III BANK OF AMERICA: MUNICIPAL BOND DEPARTMENT, 1941-1942##

Chall: You've already mentioned the reason for the promotion and move back to the Bank of America. Now what was the nature of your job? You were the assistant cashier, and you were the assistant head of the Municipal Bonds Section of the Bond Investment Department. But you were also asked to set up the Municipal Bond Department, so you were in effect the manager as well as assistant head of the section. How did you set this up, and to whom were you then reporting?

Browne: The first move was to move to 300 Montgomery Street--well, it was really 485 then--300 Montgomery took place December 8, 1941. So what we did was to move up to Number One Powell Street. The quarters up there were inadequate for our need, but it was just a matter of preparing for the time when we were going to move. See, the 300 Montgomery building construction was being completed. That was the plan.

My staff amounted to one assistant who had been doing somewhat similar work; his name was Larry Prager. I still see him periodically; his family was well known in San Francisco. They had the Prager Department Store right across from the Hibernia Bank. It was extinguished in the San Francisco fire. Anyway, he was my assistant; we shared a secretary, and that was it. It meant starting all over again to establish the role of underwriting. Russell Smith had asked me to have the bank become a bond dealer, rather than just an investing institution. Prosser, who was the head, just sat on the investment side and just let me do the rest of it.

Chall: So Prosser was investing for the bank's own investments, and you were asked to--

Browne: Act as a dealer.

Chall: Which would mean doing what?

Browne: Buying and selling securities for a profit, with the public or with financial institutions. Also to assist Prosser in carrying out his functions. He reported to Russell Kent. Russell Kent would report to Russell Smith. Actually, we all reported to Mario Giannini [laughs], the way it worked.

Chall: Even at that time?

Browne: Right. So I started the program of handling underwriting. This is very tricky, because underwriting in syndicates comprising bankers and investment bankers have historical significance. The same group usually bids together when a similar political entity is going to sell bonds. So, when you see these tombstone ads in the financial press, generally those groups bid as a group continuously on the same kind of paper.

So, in competing for these various issues, and this was a competitive business, the important thing is to have a strong syndicate that has the capital to do the job, and also the mechanics in order to distribute securities. The Bankamerica Company where I had left had carried on all of this activity for the bank.

Chall: For the Bank of America.

Browne: That's right. So they had it established, but the Bank of America wanted to go on its own, so they divorced themselves from Bankamerica Company when I went up. Bank of America was starting fresh, and the end result was that Bankamerica Company closed out its business and turned it all over to us. That was the beginning.

Establishing and Working with the Syndicate

Chall: In your brief bank and personal history, you have written, "Under these circumstances, the MBD started from scratch and established its own syndicates, always acting as manager." That was you?

Browne: Right.

Chall: "This meant the number of banks and dealers that thought they were bidding with B of A found themselves in competition. Result was a quick exodus as they tried to join B of A-managed syndicates. This gave the bank the opportunity to pick and choose. Meanwhile, BACO went out of the municipal bond

business."[1] What was the nature of these other bidders who found themselves in competition? Were they from the Bankamerica?

Browne: These were partners, underwriting partners, that had carried on with Bankamerica Company from the background of being associated--and they could have been in those days the American Trust Company, the Anglo-California National Bank, could be Blyth and Company, could be Dean Witter. Many of them were bidding with Bankamerica Company, where I was.

They found I was up here at the Bank of America now, starting all over again. So that's why they quickly regrouped and reformed, because they knew that the capital was going to be with the Bank of America, and the ability to perform would be there, and they just didn't have that much faith. I would say that essentially, they had stayed with Bankamerica Company as long as I was there. So they left to join me.

Chall: When you regrouped, or when you set up your own syndicate, did you keep these people?

Browne: We brought them in if they wished to. Sometimes we had to adjust their position. And of course, there were some major concerns when we were dealing with eastern underwriting organizations. The Chase Bank, the National City Bank, the Guarantee Trust Company, J.P. Morgan, and First National Chicago, Harris Trust--each one of them, they were very active, and they wanted to continue a relationship. But they didn't want to, shall I say, accept Bank of America as the leader. They wanted to be number one themselves.

Chall: Oh, and now you're a competitive bank?

Browne: We were out there to prove our point. So I had to establish forms, prepare the advertising, prepare bid letters, establish records, just from that background. There was nothing really to start with until such time as Bankamerica Company went out, and they ultimately decided they would turn over their files to us, which of course I had created.

Chall: How long did that take?

Browne: It took about [pause]--probably about a year and a half. It went on after I went into the service, because I had left it under those conditions. But the people who had been in the department, they left. One returned to the bank, and he's living here in

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[1]Letter to Anne Kempton, October 11, 1983, p. 2. See Appendix for correspondence.

Rossmoor. He went into the international department. Another fellow, he became a member of the William R. Staats and Company in Los Angeles, and he's passed away. They were successors. Very few of the people are around, and I wouldn't even know where they are.

But as I saw the dim clouds coming up on the horizon, I did another thing: I put together a procedure for the department on how to underwrite municipal bonds. And up to the day I left the bank, they just finished it. So they had the tool to work with, I made a point of that. I did not want to leave them in the lurch without something to go on. Of course, the very nature of the investment banking business changed because of the war.

Chall: Can you explain the process?

Browne: Almost every item was sold competitively with sealed bids, and the notice of sale calling for bids is like any other legal notice. They have stipulations and limitations, so how they award the bonds is based on a formula; it varies according to each individual entity. Usually, they do it in what they call the lowest net interest cost, which means that over the life of the bond issue, the least cost of interest is the winner. They have other formulas now, as I said. But the real challenge is to show the expertise to create the lowest net interest cost, and still have a profitable deal. Sometimes you can do it by reducing the margin of profit to a point where you're really not very competitive, from a profitable standpoint. Otherwise, you have to do it differently.

So that was the approach. When we bought a particular bond issue, we would normally have a period of time in which the members of the syndicate would file orders for the bonds which were available. Sometimes we'd have some pre-sale orders, which would take care of everyone, we'd share that. But they'd just file their orders, and if there was an oversubscription, then we'd have to allocate them, but normally that was it.

Then, what was unsold would be available for everyone and anyone. Usually, it takes thirty to sixty days to get delivery of a bond issue in its final printed or engraved form, signed, sealed, and a legal opinion. So within sixty to ninety days, you settle the account, you pay the expenses, and then you prorate the profits from the syndicate to the individual members. The individual members will have an additional profit, because whatever their cost of the bonds relative to how they sold them will be a margin of profit, too.

Being a syndicate manager means you have to send out

syndicate agreements to all the members, and have them properly signed, and return a copy at least. You have to prepare advertising. If you are successful, you run ads in financial publications. You have to prepare an offering circular which describes the securities for the benefit of the investors--all of those little things.

Chall: That's a lot of work.

Browne: Yes. And when you have--at times of peak, we've had twenty-five or more bond sales in a day. And in a week, you'd have three days like that, so you're dealing with quite a few issues, and quite a few dollars. We had also to see that we provided a good faith deposit, which would be a cashier's check or certified check.

Chall: How did you work that out with the other side of the bank, to be sure that you did have the finances to go out and bid?

Browne: Well, generally--we had a carte blanche to bid. When it came to committing the bank for investments, which would fit into a portfolio, that required committee action. We had an approval if we bought a particular issue--Bank of America would take five million of this or ten million of that--that would be committed and go through the usual [channels].

If we had to inhale securities--we may have to close the account because it is unsuccessful. Sometimes they change a price, reduce the price. You don't have to worry about it going up, because someone will take the bonds, but if it goes down then ultimately you close the account. You can either sell the bonds on the best bid to whoever wants to bid, or you just divide them up and deliver them to the individual members, and they can sell them at whatever level they want.

But if we at the bank would have to absorb any bonds, the question is, would we take a loss, or sit on them for a while? We tended to sit on them because we had the capital to do it and felt stronger about it because we were not in for the commitment stage that a small dealer would have. We could shield ourselves on that.

New Headquarters: The 300 Montgomery Building

Chall: Tell me what happened with Pearl Harbor. First of all, you had a brand-new office and were ready to dedicate it on December 8,

1941. I was just wondering whether you had any stake in the planning of the space for the new building. Did anybody come to you and say, "What kind of space do you need for your municipal bond department?" Of course, you weren't there at the time; you said they were already building it. Were they interested in the kind of space that was needed, the architects?

Browne: I'd been located in what was known as the 485 California building. I think it was American National Bank, which had been bought by the American Trust Company, and they sold it to A.P. It's still there. The 300 Montgomery building was built on the southeast corner, and they blended the surfaces together. I had been in that building, so I went back to Number One Powell Street.

The planning for the Bond Investment Department had been pretty well underway. It was going to be on the second floor of the building, and it was going to be shared with the trust department, an adjoining area. We didn't really have need for a tremendous amount of space, but we certainly had a lot more.

So I got in on the planning immediately, because they hadn't paid much attention to the need for setting up lines of communication. Generally, in the securities industry, you communicate with switchboards. You have keys that you can flick back and forth, and they're directly connected with someone that you wish to do business with. So we had to set up those keyboards, and they were hard to find. They were in short supply. I think the anticipation of our involvement with some kind of hostility had limited the amount of equipment. We had that put in. We had a special room for trading purposes, independent of being out in the open where people would come by and look at us.

So that was what I really planned. I had my desk out in the investment department area, and my assistant was in the other room. So I really worked hard to put that into shape. But things were hard to--shall I say--accomplish, because there was such a delay.

On that particular morning, December 8, we had quite a mess in terms of communication. The whole idea was that it was open house for the bank, and there had been a lot of preparation for it. I still have my announcement, this sort of thing. I was one of the special ushers to make people want to tour. But I spent most of my time dealing with the marketplace.

No one really knew what was going on, what had happened, but it became very apparent that something had to give. I think, as I

mentioned, we were overwhelmed with requests to bid on securities which were indigenous to the western part of the United States and the Pacific. That meant an awful lot of material, and that went on for several days, and the question was, what to do?

The Effects of Pearl Harbor: the Bond Markets

Chall: And who made those decisions? Of course, you were certainly there to make the decisions. The Gianninis--?

Browne: No, it was my decision. I figured there was no time to clarify. Let everyone know, once we were doing this-- And I said, "This is what I have been attempting to do." I said the first thing that was most important was to shed a ray of hope and light on the marketplace, because we were in no position to underwrite the entire debt of this area by people dumping it. I said, "After all, we own a fair portion of debt here which is in our portfolio. Anything we can do to protect our portfolio from being a massacre, I think we should, and I think confidence is necessary."

There were a few other speculators in the marketplace who were working for bargains, and we didn't buy every issue that came in for sale, but we sure bought an awful lot. That went on for several days, and the market finally stabilized. Once investors found that they could get a bid--and this was particularly true of investing institutions rather than individuals--they found that their portfolio wasn't going to be liquidated at a great loss, they were comfortable. I think our confidence in the marketplace encouraged them.

And, as you can appreciate, the market continued to decline, so what we bought on the first day of Pearl Harbor--after the first day of Pearl Harbor--wasn't worth as much in two weeks. It had declined. So the market went down like that [demonstrates with hands].

Chall: But you weren't interested in that so much as the possible long-range--

Browne: That's right.

Chall: Most bonds were long-term.

Browne: That's right. I was soon entrapped on my way into the army, and I couldn't stand around and see what happened, but I reviewed it

on my return from the service, and I had kept in touch. The market changed as a result of the instigation of the excess profit tax, and what was almost a blanket put on the issuance of bonds for local improvements. Everything was being shuttled into government bond financing for the war effort. So with the decline in new issues and the excess profit tax, the market just went up like that [gestures].

So, everything that we had showed a very handsome profit, and I felt we had accomplished something. I don't know whether I would have had any severe criticism by taking the chances, but I think everyone felt that it was a thing to do, and certainly the Giannini spirit had to proclaim the idea "build confidence."

The Effects of Pearl Harbor: Personal Concerns and the Bank's Open House, December 8, 1941

Chall: Where were you when you heard about Pearl Harbor?

Browne: I was at home in Berkeley. We lived on Arch Street. I heard the news on the radio, and I immediately phoned my bride. She was at church.

Chall: You'd already married?

Browne: Oh, no. Five days after we were married, I went into military service. And that was in February. But I told Betty about it, and she hadn't heard, so we got together that day in San Francisco to decide what our various moves would be. It was a pretty grim occasion; we even have pictures taken by street photographers of us walking along on that Sunday. But it was tough; none of us knew what the impact would be.

I had been drafted early on, but because I was overage, I was released and wasn't required to go. So the point was, what do you do? Many of my friends in the securities business were volunteering, or they were hooking up on reserve commissions or trying to get reserve commissions. I just didn't feel I was going to have the time to do that, so I decided to wait until they selected me. So in due course, they did.

Chall: Of course, you had not only your personal concern, but you must have been concerned about what was going to happen at the bank the next day.

Browne: Oh, yes. Really. What a great day to open a bank with all the

festivities that go with a housewarming. We had only had a brief dry run on the equipment and the seating. They had to move stuff in, so there we were. I don't think anyone was terribly interested in what I was doing; they were all interested in seeing if they had the right desk, and everything was going to look pretty good for their hardware. Took a long time for people to understand what was done.

Chall: What kind of an open house did you have the next day? Did people come?

Browne: It was pretty somber. It was almost funereal. The typical floral displays were just like going to a funeral. They were from all over the United States, because the Bank of America was such a prominent financial institution. Anyone and everyone would send them, and the visitors were there to see the new quarters, and the quarters were extremely attractive.

The executive floor had all been done in walnut, and the boardroom the same thing. It wasn't gaudy by any means; it was just extremely impressive. People were allowed to visit the area, wander in and see the facilities; it was good. They blended the two floors of the two buildings on the eleventh floor. On the other floor, there was no need for that. The two buildings were merged together all right, but there was no particular change in the appearance.

But I could see people, and you know you're trying to say the right thing, and wondering what's going on. It wasn't easy.

IV WORLD WAR II: IN THE ARMY, 1942-1946

[Interview 3: June 21, 1988]##

Marriage to Elisabeth Henrotte

Chall: When we left off last time, you were about to enter military service. We had Pearl Harbor. You said because of your age, you hadn't been drafted, but did you have a draft number?

Browne: Oh, yes.

Chall: And you were about to get married. So let's take it step-by-step. Did you get married right away?

Browne: Well, put it this way: it was right away up to a point; it had taken us a long time to get there.

Chall: A long time?

Browne: Yes. Our families were in need of assistance, and so Betty was helping her family, and I was helping my family.

Chall: What was Betty's maiden name?

Browne: Henrotte. It's Flemish.

Chall: I see. Where had you met her?

Browne: In the investment affiliates, she became my secretary. But when I returned to the bank, that was separated. They, at that point in time, had a policy, and so she just worked in another department. So, from being my secretary, she became someone else's secretary, and it happened to be the senior officer of the bank. So I lost, but they gained.

Chall: Did you marry her in 1942 before you went into the army?

Browne: Right. We were married on February 7, 1942.

Chall: You went in on the twelfth.

Browne: Five days of leave.

Drafted, Tested, and Sent to Camp Wallace, Texas

Chall: They called your number, is that it?

Browne: That's right. You see, after the Pearl Harbor fiasco, they changed the whole order of drafting. Those that were in my category--we were I think twenty-seven years or over, I think that was the dividing line--they just wiped that out and we were all available, and it was up to the local draft boards to start processing. My draft board in Berkeley handled most of Berkeley, I believe. When I went before the draft board, I saw so many friends from Berkeley, and particularly from the campus. It was just that deal. From my category, they were all just dredged up. And after passing our physical, that was the first test, and then ultimately we received notice to report to the reception center in San Francisco, where we went through a more thorough physical examination. If you passed that, you were then supposed to wait for orders. It wasn't too long after that my orders came in.

There wasn't really much time to be prepared for it, because things were moving too rapidly, and you had to arrange your affairs. I thought the best thing to do was not to disturb the bank until I got my affairs in order. So, I finally advised them that I had had a call from Uncle Sam, and I would be leaving them for a while.

Chall: Four years is a long while.

Browne: So no one knew, and no one had any idea. And then some of my associates in the bank either had volunteered to pick up their reserve commissions, or had gone out looking for commissions, because they were concerned that they wouldn't be able to support their family. In my case, I had a reserve commission, but it was for the enlistment status, not from the officer status. And I didn't have time to make application, though many of my friends were doing it.

I finally got my orders, "Report to the Presidio at

Monterey, leave by Southern Pacific train at the Oakland station." Once I arrived at the Presidio at Monterey, the machinery started of examinations and tests. The main thing was to test all of the draftees for a military specification number, so that when they went through the process of assigning draftees to different branches of service, they had some understanding what they could do. All of the tests were on that score.

I became what was known as a message center operator, which in effect would have made me in charge of all the incoming and outgoing mail at some installation. I was also involved with sighting planes with my bare eyes, because I was apparently going into an anti-aircraft battery. So we went through that, and I noticed in the process of selection that gradually, any number of individuals that I knew were disappearing. They apparently had orders, and were being shipped out in small parcels. Many of them had a language specification, they could speak a foreign language, particularly French, and German, and Spanish, and there was a demand for that.

Then they discovered a few people who had prior military training, and they discovered I had prior military training in the ROTC, but that didn't change my course. I think in the beginning they didn't believe I had served in the Army Air Corps, which was a very small and recent unit.

Chall: Of ROTC?

Browne: Yes. See, the air corps preceded the air force. It was really not well organized. So one morning, we were told to be prepared, we were going to leave that evening for wherever we were going to leave. So they just backed the trains into the Presidio station, and pulled all the blinds down and away we went. The question is, traveling all night--I had a sudden feeling I knew where we were going, because I could peek out the window and see some of the landscape, and it looked like we were headed for Los Angeles, and we were.

From Los Angeles, we were switched, and the next thing I knew we were passing the Salton Sea. From there, I had no way of knowing what we were expected to find, but as we went on, the word came out we were headed to Texas.

So we ended up at the Houston Union Station, and we were then hooked onto an engine that was partly MKT, the Missouri-Kansas-Texas line. There was a line that ran from Houston to Galveston. We were disembarked about fifteen miles north of Galveston at a place called La Marque, Texas. This was the location of the military installation I was assigned to, called

Camp Wallace. Geographically, it was really across the bay, Galveston Bay, from Texas City, and it had been carved out of you might say the waste of Texas, flat land. They used filling process to create drill fields, and they built the usual barracks and buildings, and sanitation system and the rest of it. It wasn't a large camp. But there we were.

It was February, it was bitterly cold. Most of the men had acquired a nasty cold sleeping together in the old-fashioned Pullmans. Very little chance to protect yourself. So here was a group wheezing and coughing, and some of them were not in good shape. One of the first things the stupid cadres did was to get all of us out, drop our belongings, and go for a run [laughs]. That was quite a run. As a result of it, I would say at least a half a dozen men were taken off in the meat wagon and were never seen again.

We were picking up more senior men, and they weren't--

Chall: Yes, you were all about the same age then.

Browne: Some of them were even older. They were not in good shape. It was a horrible experience.

Chall: So they started you on a run?

Browne: Yes, later I was in a position to call attention to the stupidity of it. I said, "You want troops, but don't ruin them before they have a chance to get into condition." Once they were in condition, they were not that bad.

So that started the other routine of basic training, and additional classification. This was an anti-aircraft replacement training center. At that point in time, anti-aircraft units were reportedly coast artillery. We had the insignia which was the same as the coast artillery. But there was a question as to whether the anti-aircraft units were going to be that effective. It wasn't too long, within a year, the anti-aircraft units were separated from the coast artillery and put in another organization. But the idea we were being trained for--

Chall: To spot planes, or lighter-than-air craft?

Browne: Anything, spot the planes and shoot them down and load the guns, it was a complete operation.

There was another installation in Texas called Camp Huehlin, which was near Fort Bliss. So while we were waiting, we went through basic training. It was really a thirty-day job, not very

good.

Chall: Thirty-day wonders, I think they used to call them.

Browne: One of the first things they'd find out, could you fire a rifle? Well, having been in the ROTC I had no problem, but the thing was, don't volunteer. Ultimately, why we found ourselves in the same units, and they were looking for candidates for the anti-aircraft officers candidates school at Camp Davis. That would be in the Carolinas. But you'll note from the material there that one of the things that I did, I kept reading the bulletin board outside the company office--there was a battery office, because we were part of the artillery--and there was a typical War Department announcement indicating that applications would be received for the adjutant officers candidate school. And that applications should be forwarded to the adjutant general.

It sounded like a pretty good idea to me, because I read the specifications, and I thought it would be more in keeping with my experience. It would be rather worthwhile. So I borrowed the battery clerk typewriter and typed out my application and sent it through the mail.

I didn't hear anything about it for quite a period of time. Meanwhile, I had completed basic training, they had assigned me as a battery clerk in personnel for our battery and for our battalion. Then the push came for the Camp Davis officer candidates' school, and the officers usually asked you if you'd like to apply. I realized very quickly that that was the only way to go; you were supposed to go through channels, and I had not gone through channels. But they knew, so when I was before the board of officers, and they interviewed me, they said, "Well, we see that you have made application for the adjutant general's school."

I said, "Yes, that's right."

He said, "Well, if you get a request, fine. But if you don't, think of applying for the officers' candidate school at Camp Davis." I told several of my buddies at the time, this would be a great place to go. I was the only one that received notice from the adjutant general. It came through the mail. Just one day, "You are now on the list, and wait for the next call." So within a month, I had another notice, and they said, "Go through your physical again, and be prepared to leave."

Well, I had a hard time because I had slimmed down through my basic training, and then when I went into the office job eating army chow, all you do without exercise, you fill up again.

So, the medic who was examining the various individuals said, "Well, that means you're not going to make it. I'm not even going to weigh you. But I'll tell you what you do: if you come back here in seven days, and you can make the weight, okay."

So that was a real challenge, and as you know, you could bust it right there if you didn't do it. So every day after chow, I went over the obstacle course and did a solo on the obstacle course two or three times. At that point in time, it was summer, it was hot, humid weather, and I put on my winter underwear. So it was like I was in a steambath.

The day came, and I reported to the medic. He looked at me and said, "You're not going to make it."

I said, "Well, why don't you give it a try?"

He said, "All right, get on the scale." And then he said, "By gosh, you did. You're going to have to watch your food." [laughter] So I said, "All right."

The only other thing I ran into, because we were drilling on crushed shell for the parade ground, in the glaring sun, it reflected, and my eyesight wasn't too good. So my eyesight suffered, and they kind of fudged me on that. I wasn't color-blind, but I wasn't 20-20 vision. But that was okay.

Chall: Where was that training class for the adjutant general? Where did you have to go?

Browne: Well, it was Fort Washington, Maryland. And that's a story, because it had been shifted around. But the battalion adjutant had word from the camp adjutant to take special care of me, because he was an adjutant general and he figured anyone who was going to adjutant general school had to protected. So I was assigned duties in the adjutant's office, and got a lot of experience that way.

Chall: What was the reason for protection?

Browne: They wanted to make sure I was going to the OCS, because there were very few adjutant generals. He was proud of being one, so they wanted to make sure I wasn't going to be picked up by one of these other calls. We had several calls. One of the calls was to go to Corrigedor. Then, there was a call to go to the defense of the Panama Canal, and the last one was a call to go to Attu, the defense of Attu. So my reaction to this was thank goodness. I didn't have to go to the other areas, because I wasn't in the best top condition to start doing field work.

But we had another interesting point. When they had these calls, they practically cleaned out the camp. They didn't give them thirty days' training. Some of them had ten days training, and they just--whoosh. I was one of the few out of a camp of about ten to twelve thousand, one of the few handful of people that was left. It was very eerie.

Then we had another bad experience. They were shooting all of the men who were going into the Pacific area for all kinds of infections with shots of one kind or another, and one of the obvious things was yellow fever, because that would be true in Panama and in Corrigedor. So we all had our yellow fever shots, and it was one of the bad shots apparently. Rather than clearing you of any chance of having yellow fever, it gave you yellow fever. And I'd had yellow jaundice when I was a very small person, so I was immune and I was one of the very few that survived that. The rest of them, even the officers, were laid up for two or three weeks. That wasn't much fun.

Then, when I finally had a chance to say goodbye, the camp adjutants really gave me a big send-off. So that was very helpful. It didn't increase my rank at all, because the theory is, if you're an officer candidate, you remove all rank. But you retain the base pay that you had with the rank, so when you're wandering around the area, and in our case we were wandering around Washington, it would be that way.

Officer Candidate School, Fort Washington, Maryland

Browne: Getting back to the officer candidates' school, originally you could not be an adjutant general unless you had the rank of captain and had been to West Point. So there were very few adjutants in the army, and that was of course the old army. So then they transferred the school to the War College in Washington, which was on the Potomac River, and that was the scene of the senior members in the Pentagon. So when you went there, it was almost like you were in the command position. But by the time I got to Washington, the school had been transferred to Fort Washington. Fort Washington is an installation, it's still there; it's fourteen miles roughly down the Potomac River. We used to go to and from Washington by ferry boat.

Chall: A real ferry? The kind that took automobiles?

Browne: That's right. And they were delivering troops and picking up troops on several installations on the Potomac River. It was

kind of fun. We got very close to the community; our fort was located up on the banks of the Potomac. When we first saw it in the daylight, I was amazed, because it was a fort built about 1804 by the man who designed the nation's capitol. It was laid out as a typical European fort at that time, everything--the battlements, and the gun positions, and all the related buildings. Incidentally, when the War of 1812 came along, it surrendered without firing a shot, and so it was preserved. We used to get that story.

Then we had the Civil War, and they fortified the site for the Civil War. They had big siege guns, the kind that you might see out at the Presidio, but they were earlier vintage. The Confederates never were able to take Fort Washington.

Then, it was more or less decommissioned, and they fortified it again in the Spanish-American War. They changed some of the armament, and then not to be outdone, they decommissioned it and fortified it for World War I. So we had all of these structures around there, and we didn't have much use for them. We were living in some old barracks buildings there. We were there in the winter. During that particular period of time, the Potomac Basin, as they called it, was a cesspool of illness. People--millions of men gathered in all of these various camps surrounding Washington. Everyone was catching a cold or some kind of a respiratory problem. But we were up there ninety days.

Chall: What is an adjutant in the army?

Browne: Well, the adjutant general--it's a classification, and as I said, originally you had to be a captain. But they were commissioning adjutant generals at the rank of second lieutenant, and you performed adjutant general's duty for the unit you were assigned to, because you could be assigned to any unit.

In my case, I would have been in the administrative side of it. But in the administrative side, you had to respond to all the needs of your commanding general, and being an adjutant general gave you a certain amount of prestige. The interesting thing is the insignia of an adjutant general is a red, white and blue shield. It is almost identical with what is the insignia for a general's aide. So, when anyone saw you with the shields on, you sort of got a little special treatment.

Anyway, we finally made our diploma, and went through the process of graduating, and we had some interesting times doing that. Because again, it was winter, and most of the time there was heavy snow on the ground. But when we were faced with ten days' leave--we had ten days to do what we wanted to, go wherever

we wanted to go--Betty elected to come back to Washington to visit me, because we hadn't seen each other for almost a year. So we stayed in Washington during this period of time. And then on the completion of our leave, I would report back to the Fort Washington daily for an officer call, and the adjutant would haul us in and he would then read off the list of opportunities. We could all volunteer--because there was no assignment.

It turned out that really, I was supposed to be assigned to an airborne infantry division, and I think it was the 82nd Airborne, being formed in Texas. And it was slow in getting its necessary strength, and the adjutant generals' school was continuing to turn out the graduates each month. So what would you do? They started trying to send us to other things. I went through the process of volunteering for all of these interesting assignments. You know, they sounded great, we were going to see the world. There wasn't too much said about Europe, but there was certainly a lot you could do in North America, South America, and the Caribbean area. There was some of it in the Pacific--but always, they were great ideas.

Well, it turned out most of the requests for adjutants came from experienced commanders, and all they wanted was someone that knew the army. And I mean knew the army like the old master sergeants and war officers who had been in the service for ten, fifteen years, who knew all the regulations; that's what they wanted. We were just people who had inhaled this in a ninety-day period, so we weren't that attractive.

But let me see. They did offer me three opportunities. One of them was to be instructor at a WACS [Women's Army Corps] school in Texas. And at that point in time, we didn't really appreciate what the WACS were doing. This was essentially an enlisted WACS school. I turned that down; I didn't want to be in Texas or be involved with WACS, because I figured if you're going to be involved in the military, you'd rather be in a position where you can advance and do something, but not stay there.

Chall: And not be dealing with women?

Browne: No. Then they gave me a real shut-out, considering the work we were doing. I was offered the opportunity to be the officer in charge of the National Archives.

Chall: That sounds interesting!

Browne: Well, the reason it was particularly interesting was because they housed the records of the armed forces, the historical records were there. I guess they wanted someone in uniform to be in

charge of it. That wasn't really much of a career for me, so I turned that one down.

Chall: You were allowed to turn down the opportunities?

Browne: That's right. Because, see, they weren't really designed for our training, our expertise. They were just spots to be filled. The thing that was happening is that as the pressure of the war grew on the establishment in Washington, so many bodies were running around there. The word was out, "Don't let people stay here. Get them out into the field." So that, if someone thought they had a sinecure--could spend the war just sitting down in an office in Washington--they wanted to dispel that.

So the last one, which was the most interesting of all, came up. I debated it for a while. I was to be the aide to the president, and be in charge of the situation map in the White House. So I would have been in touch with all of the senior officers of the armed forces and our allies, as they moved things around. I would have to do that. Well, you know, it's great. I would feel I was on a first-name basis with the president. But that chapter was there: if you stayed too long in that, they'd kick you out. And where would you go? You weren't in good condition. Because I wanted to be in good condition.

So the last thing that happened, I was called into one of the hearing rooms at our installation. Meanwhile, I was working for the adjutant general between time. I was working on reorganizing the army, and changing forms. I was really having kind of a field day. It was challenging, and I redid the army personnel record, which ultimately came into being.

But this was a tough colonel. His name was Joyner. He was a Georgian. He was a veteran of World War I, he had been commissioned at an officer candidates school in Germany shortly after the Germans capitulated. They ran an officer candidates school there. He was reporting to another classmate of his, who went through the same school. He had become a general. The colonel was a real tough guy. Nice--he said in his heavy Georgian twang, he said, "I know, Browne, you want to be a--

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It's not worthwhile. You know, you can be very dead, too." He said, "I'm going to request you. There's work that has to be done, and we need someone with your experience." So that's it. So that's how I was selected.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
SAN FRANCISCO, 20

L. M. GIANNINI
PRESIDENT

November 22, 1944.

My dear Al:

You are now serving as a member of our country's armed forces but I am reminded that today marks your completion of fifteen years of service with our bank.

During this period of time you have witnessed a remarkable growth in the bank and I wish to express to you my sincere thanks for the contribution which you have made toward this progress. The loyalty and devotion of our co-workers are the intangible assets which have made this bank the great institution that it is.

I am looking forward to the day when you and our other co-workers on military leave will be able to resume your places with us. In the meantime, please accept my best wishes and congratulations on this anniversary.

Cordially yours,

Capt. Alan K. Browne,
War Department,
Office of Dependency Benefits,
213 Washington Street,
Newark, New Jersey.

Newark, New Jersey
December 4, 1944

Dear Mario:

Your recent note reminding me of my completion of fifteen years service with our bank was most welcome. I sincerely appreciated your taking the time from your multitude of duties to think of it.

It is just short of three years that I left for the Armed Forces. My experiences have been many - from the early days of basic training in Texas to my present assignment at the Office of Dependency Benefits as Assistant Officer in Charge of the Collection and Adjustment Branch. Anything can happen from here on as we have been expecting overseas assignment for many months.

During my absence I have tried to keep in touch with the bank and my many friends. At times it has not been possible to maintain regular correspondence, however, news and gossip reach me from time to time. It has been amazing to note the growth of the bank and it is with a sense of pride that I speak of the bank's achievements to the officers stationed at the ODB who were formerly in the banking business.

None of us know how long it will take to complete our present job, but when it is finished my wife and I will be looking forward to our return to California, to familiar places and faces - and to resumption of my work with the bank.

My congratulations to you, sir, for the splendid job that has been accomplished by you and your staff in developing the bank through the troublesome war years. The challenge of the post war period will be eagerly accepted by those of us fortunate enough to return.

Most sincerely,

Mr. L. M. Giannini, President,
Bank of America N.T. & S.A.,
300 Montgomery Street,
San Francisco, California.

The Collection and Adjustment Branch, Finance Office, Newark, New Jersey

Chall: So he kept you right there in Washington with him all the time?

Browne: No, he sent me up to Newark, New Jersey. They transferred the activity from Washington. It's called the Finance Office, USA. This was a unit that handled all the pay and allowances in the army. Of course, the army they were talking about was the regular army. So then, by the time we were into the drafting stage and preparing for World War II, they couldn't handle it. They just had antiquated methods and systems, all the records of the payments were on addressograph plates. [laughing] Can you imagine that? It was a fascinating mess.

So they had apparently shopped around looking for buildings, and the government had provided certain organizations to complete construction, with the idea that the government may want to take over the building for their use at some time. So they finally came up with this building in Newark, New Jersey. It was one of the Prudential buildings. It had just been completed. It was a 22-story building; it occupied a full block. There were two other Prudential buildings, including one of the original buildings in the near area. This was designed for the work that they had to do, and it was a pretty good location.

But Newark was not exactly a very attractive place to be in World War II. Housing was minimal, and Newark is the crossroads of traffic. It was kind of a cesspool; it wasn't a great place. And then there was no hospital, there was no mess hall, and no quarters. We were strictly on our own to live within the community, so to speak.

When I reported in, I was assigned to a unit called Collection and Adjustment Branch, and I was a little confused about that. The man in charge was a captain who had been in the Treasury Department and had been given a direct commission. I found out most of the officers were given direct commissions. They were all older, and had come out of-- Some of them were lawyers, and others were treasury people. So I was one of the first contingents as an officer candidate. I knew how to wear my uniform, and they didn't know how to wear theirs; it was that amusing.

We were responsible for collecting over-payments at that point in time made to the men in uniform and their dependents. This had become quite a problem. They raised the pay of the military--that would have been in 1942. When I went in, I was

paid $21 a month. Then they changed the basic pay for a private to $50 a month. But, almost half of that you had to put aside into a family allowance. The family allowance was then paid by check to your dependents, depending upon who they might be. At least it was providing support for the families of men in uniform.

Chall: All that had to be kept in some kind of records, separate checks made out, and all that?

Browne: They messed it up, they just messed it up. They had made so many overpayments to individuals, and they lost track of them. Then they had the problem which developed under family allowance. This was particularly true in the Puerto Rican section. The Puerto Ricans found this was a great way to live, and so they kept marrying soldier after soldier after soldier, so they'd get many checks. And of course, all illegal.

So we had a group that went out in the field to check on fraud. It didn't seem to be very military, except I found out in due course it became rather military, because we were then given the responsibility for collecting overpayments to men missing in action and prisoners of war, and then handling the affairs of those who were deceased. And then we went into handling national service life insurance.

Chall: You must have had a very large contingent of clerks in that office.

Browne: In our building, the strength would average around 10,000. But we only had about twenty-five officers. We had a number of civilian clerks that came down from Washington, members of bureaucracy. We were having to grind out all of these payments, and then try and check out on whether they were proper or not. Frequently, the payments were being made under different serial numbers. In the army at that point in time, we did not use our social security number. We had an enlisted man's number, and then you could have an officer's number, a warrant officer's number, or a flight cadet number. There were all those. And some individuals had three of them at least, and so they had three checks that were going.

On the other hand, frequently, were banks and insurance companies. I was having a great time corresponding with men in uniform through their commanding officer. I would address my communications in typical military style, or I'd endorse communications and pass them along, and I frequently ran across people I knew from my days in Berkeley. Sometimes I put a special endorsement on it, so I kept in touch with a number that

way.

But I also got out of order, because I had failed to adhere to the army regulation which is that only a general can communicate with a general. Our commanding general had a very euphonious name: Harold Napoleon Gilbert. [laughs] He had been an all-American football player, a very nice person, but we were signing all of this mail by the tons, and I just put A. K. Browne, Adjutant General. I didn't put my rank down. Just adjutant general.

We had typically in the army the authority to use what they call red-bordered stationery. Have you seen red-bordered stationery?

Chall: No, I haven't.

Browne: Well, it's a regular piece of stationery with a red border on it. That means attention. I used to send these letters out, signed, "by order of the secretary of war, A. K. Browne, Adjutant General." I got results. [laughs] So I was throwing that around--out of necessity, but I felt it was kind of tricky, because we had so darn much authority. That was a real message to anyone that received it. I think finally one of the--I don't know whether it was Mark Clark or one of the other generals--in Italy, came back on it. This was when my commanding general raised hell, because he said, "All of these communications I should sign." So okay, no problem, we'll just make sure that you sign them. Obviously he couldn't handle them all. But it was one of those interesting things.

We couldn't do much else. Because we were on twenty-four hour duty, and there were no fun spots in Newark. Newark has great bus systems, you can get back and forth from Newark to New York. We had the Pennsylvania Railroad, we had the Hudson-Manhattan Tube. There were many ways of doing it. So, in my breaks, I would go over to New York City.

Chall: Did Betty join you, since you were settled?

Browne: Betty came back, and she left after we'd been in Newark for about a couple of months. Housing was a problem, and she'd left a lot of unfinished business, so it seemed to be appropriate that we continue to live apart. I bached along with some of my fellow officers, and became great friends with the commanding general. As a matter of fact, we used to see him at dinnertime almost every evening. We went to the same restaurant. We developed a pretty good communication level. We had some problems, and he helped us. We had problems with some of the officers that were a

nemesis for the younger officers.

Chall: Yes. I guess there was always sort of tension between the old officers and the ninety-day wonders like you.

Browne: Oh, yes, there was.

Chall: Breaking down of old standards, too.

Browne: So, we arranged the system, any time that we had a problem, we reported it to the general's adjutant in private session. He would check it out, and as a result we dumped about three officers. The general did not want to court-martial anyone, because he was going to be the next adjutant general, and his friend who was the adjutant general did not want to be bothered. So he said, "What we will do, we will let you know who the individual is, and you just write up an order and send them overseas." Well, that's what happened; we sent them overseas.

Chall: What had they done that had been so aggravating that would require their removal?

Browne: Making improper advances to men and women, taking advantage of their rank to enforce duties and responsibilities on younger officers, and I think outright dishonesty.

Chall: And you would all catch them at it in one way or another?

Browne: That's right. And we had some very inadequate officers that came out of Washington, and we sort of benched them, too. In the field, they say you "frag" them--you throw a hand grenade in. We couldn't do that, [laughs] but we could put them on the list for recognition. The last commanding officer I had, I had a problem with. They sent him overseas. He had been a World War I veteran, and he was assigned to Douglas MacArthur in the occupation of Japan, which was a good place for him, we thought.

Chall: Well, I guess there are some niches that people fill better than they might in the adjutant general's office.

Browne: We were probably on target for being transferred, except for the relationship between the adjutant general and our commanding general. Our commanding general went up to Washington, and we had another commanding general that came in from--I guess he was with the Third Army--and he took over. He was a very fine West Pointer. But everyone was concerned about their role, because we were financially responsible for the disbursement of funds.

We were dispensing at that time between $250 million and

$500 million a month, and had to be accountable and responsible for that. So any errors through any audit the inspector general would have, you see, would go right back to the commanding general, and he wanted to make sure he was protected. In such, why, he protected his position by holding us in position. He didn't want any strangers coming in. So when we had his confidence and he had our confidence, it worked out. But we were constantly concerned about doing the job so well that we'd be transferred out to some other place.

And there was a reorganization in the army at that particular time. They created the Department of Finance, and they took away from the adjutant general most of the financial activities. So the adjutant general was doing his thing, and the head of the Department of Finance was doing his thing. They had equal rank, but different performance. The Department of Finance was a new organization, so they wanted a good table of organization, so they just took all these slots away from the adjutant general.

Chall: Did you go into the Department of Finance?

Browne: I was detailed into it. I still retained my position as an adjutant general, but I was detailed into the Department of Finance, and I had to wear little gold diamonds, which was their insignia. But unfortunately, we lost our chance for advancement in rank, and we lost our chance for any of the commendations that were normally available, because it had been taken away from us.

Chall: Were you still responsible for overpayments or--?

Browne: Yes. The position grew. I got involved in the disbursement process, too.

Chall: In those days, they had only mechanical calculators and adding machines and some other tabulating systems that the banks used.

Browne: They were basically adding machines and tabulating machines.

Chall: But that's all you had to keep track of a couple of million payroll checks?

Browne: Well, you can imagine the strength of the army was running into millions.

Chall: Right. So how did you keep track of all these people, their numbers and their dependents?

Browne: That was done by virtue of transferring to Washington tabulating

equipment. The tabulating equipment was essentially the same that was being used by the Census Bureau.

Chall: What did it look like?

Browne: Great big--

Chall: Cards?

Browne: They used punch cards. So all the information went in on it. They went through that. And they would produce the checks and the vouchers and other records.

Chall: Quite a job.

Browne: This was the largest installation outside of the Census Bureau. We were doubly fortunate that we had a chance to learn a good deal about the computing process. When I went back to the bank, I used that background to try and encourage the bank to make some changes. That's another story.

I think I may have mentioned before, the favorite story among the officers was, "Well, did you get your overpayment today?" The theory was that if you could punch a card with your name on it, stick it in the machine, it would produce a check for you. [laughs] So there were a lot of errors that were not intended, but I'm sure a few of them were, because it was a huge deal.

And of course, we were subject to blackouts. We stood up on the Jersey skyline; it was a tall building at that time. New York Harbor was a question mark. So the big question was, what happens when you have a blackout? What about sabotage? What's going to happen if someone decides they want to take these punch cards and--you couldn't open the windows, because they were all locked--but you know, destroy them. That was a big question mark. So we had very special security for that.

We had a few celebrations with the employees, and I will have to admit that a high percentage of the employees were Negro. They were from the third ward in Newark, and from the Bedford Stuyvesant section of New York City in Harlem. Some of them were extremely competent people, and were willing to do anything to perform. But that wasn't true of others. Then we had a lot of volunteers that were trying to do something for the war effort, and they lived in the area, and this was a good place to be.

Chall: Largely women?

Officer and civilian personnel of the Collection and Adjustment Branch, Fiscal Division, June 23, 1945. Officers seated, left to right: Harold R. Kroeber, Captain, FD; Charles W. MacEllven, Major, FD; Alan K. Browne, Captain, FD; Donald N. McKinley, First Lieutenant, FD.

Browne: Yes. The few men that we had were 4-Fs, or they were veterans of World War I. They were not very stable. But, we were beginning to have more army men coming in, and I guess we probably had some of the WAC corps come in. So they were shifting the burden.

Chall: That was a major job there. So that's where you spent your war years, right there? You finally did, as you say, come out as a major in 1946.

Browne: Right. I missed the other step because of the change in our organization chart. But the point remains when the Bank of America came after me.

Ending Army Service and Return to the Bank of America

Chall: Oh, I see. The Bank of America came after you? When was that?

Browne: In '45. Malcolm Prosser left the bank to work for the Seattle First National Bank, and left an opening.

Chall: As head of the Municipal Bond Section?

Browne: Right. And I used to see Russell Kent and Malcolm Prosser periodically. If they happened to be in New York they would let me know, and if I could arrange it, I would usually visit them, have lunch with them, possibly. So I kept in touch. Betty was keeping in touch with all her friends; she was working at that time for the Fidelity Bank in Newark.

Chall: Oh, she did finally come and stay with you?

Browne: That's right. We had moved from East Orange to Orange.

Chall: That required a bit of a trip into Newark. How did you manage that?

Browne: Well, two ways. One was taking the streetcar, and the other was taking the train. The Morris Canal, which meanders across the countryside of Pennsylvania and New Jersey, ends up in downtown Newark. What had happened--this had been nothing more than a drainage ditch, so to speak. They decided they didn't want that in downtown Newark, so it was converted into a subway for the streetcars. The Pennsylvania Railroad had its main station further east, and so the streetcars would come down to the level, and you would get into this station, take the Pennsylvania. You could also take the Hudson Tube train.

Now, Hudson Tube train served Newark and New York City. But where we lived in Orange and East Orange, we were only a block or two from the Delaware Lackawanna and Western. That had a beautiful commute run, so I just would take the train to Newark and back again.

We didn't have to spend too many evenings in Newark on duty, but we did on occasion. During this period--this is when the bank came after me--they wanted me to fill in the role of Prosser. They didn't completely tell me what they were doing, but this again is carelessness: they made a request on their own, and they just goofed because they didn't send the request through the right channels.

Chall: Not to the right channels in the army?

Browne: Right. And they finally let me know, and I said, "That's great!" And then periodically they'd ask me, "Have you heard anything?" I said, "I haven't heard anything." Then they got the idea in San Francisco that I wasn't coming back, that I was going to stay in the army, because nothing had happened. Of course, I didn't realize at the time what had been going on. I still have some correspondence with the aide to the president about my application [laughs], it is very salty.

Chall: Aide to the president of the Bank of America?

Browne: No, the president of the United States. It was general--I can't think of his name right now--but I have the correspondence. It's kind of interesting.

Chall: With regard to--?

Browne: My getting out. That was a question mark. So they started asking for me before I would have been eligible. They were letting people go out of military service if it was in the best interests of the government, but not for your own interests. And the theory would be, this would only serve the Bank of America's interest, and not the government's interests.

All of that was kind of flaky, but I tried and tried, and I couldn't find any simple answer. I just figured well, I have to stick with this.

Well finally, the word came out that the requirements for leave from service had been changed. So if you had compiled enough units, they would let you out. Well, I had compiled more than enough units because of my years of service, so I was eligible. So two or three of my buddies and I decided we were

going to make an application to get out. That was when my general called me into his office and interviewed me.

He said, "I understand you'd like to be relieved. I don't think you should, I think you should stay here. We need you, and I think that you have a great career in the army." As a matter of fact, I had been asked to accept a regular army commission and go on from there. Some of my friends did.

I said, "Well, I've been waiting to hear from the bank. They say that they made a request for me, and I think I owe my responsibility to them." He got a silly grin on his face. He opened his top drawer on his desk, and he hauled out my application. He said, "I've been sitting on this."

It really caught me. I said, "The only thing I want to make sure is that the bank doesn't feel that I have been holding out, that I haven't done my duty in trying to see this thing was processed. You've had it, and I didn't know it." Well, he finally said, "You have a chance, of course, if I release you. Then your name comes up, and you are going to be grabbed, because of your experience and background. You'll probably immediately get involved in military government in Europe, so you'll start all over again."

Chall: You mean if he releases you from service, without allowing you just to retire from the army, you could then be reassigned in the army?

Browne: That's right. The adjutant general would do it. So there you were, and I looked at him and said, "Well, I think I'll take a chance."

So then he processed it, and that's why I ended up at Fort Dix. Meanwhile, I had let the bank know that I was coming back, but I found out in the interim period that Kent had been trying to entice one of my good friends to take his spot before I returned. It disturbed me. Immediately, I got after Russell Smith, who was the cashier, who was the one that employed me. I let him know. I said, "After all, the G.I. Bill of Rights is involved here." He had a son in the service so he understood the story. But that just cut it off.

Chall: Russell Kent at that time was the head of the--

Browne: The Bond Investment Department. He'd been there since the merger of the banks in 1930. Kent sat on top of the portfolio and handled government securities, primarily.

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Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

SAN FRANCISCO HEADQUARTERS

RUSSELL G. SMITH
EXECUTIVE VICE PRESIDENT

SAN FRANCISCO 20, CALIFORNIA
January 3, 1946.

Major Allan Browne
363 Lincoln Avenue, Apt. 305
Orange, N.J.

Dear Al:

It has taken me a long time to get around to answering your letter of December 17, which I read with a great deal of interest. Your experience in trying to get released under the last War Department Circular, I think it is No. 290, was unfortunate but not unusual. Frankly, I don't think business concerns like ours, large or small, have very much influence with the Army or the Navy - at least, in several other cases similar to yours there have been disappointments.

From your letter, I judge you feel that the delay in being released from the Army has mitigated against your progress in the bank. However, I feel sure you have not suffered, and will not suffer, any loss as a result of the delay. If I remember correctly, there were several men in the Department more senior than you, so that it would not be expected that you would succeed Mal Prosser's position as second in the Department. It would be logical to expect that either Henry Ralph or Taylor Peery would be selected for that post. However, the municipal bond work, which Mal formerly did, does not necessarily have to be handled by the No.2 officer in the Department and there is, in my judgment, an important field there for expansion. I don't think there would be any question but that, on your return, you would be the senior officer in the municipal field. These are of course matters which will be worked out by the Department Head, but I feel safe in assuring you that you have not lost any opportunity by the delay in getting released from the service.

We received your Christmas card at home, and Mrs. Smith and I appreciated your thoughtfulness and join in the best of good wishes to you and Mrs. Browne.

Cordially yours,

Russ

Executive Vice President

Chall: Had you had good relationships with Russell Kent in the past?

Browne: No basic problem. We'd always gotten along, but I found out in the passage of time he was a very jealous individual, very much involved in ego that was being fed. A lot of things which would serve other people's interests. So it was one of those political things that was hard to pinpoint. And because he controlled so much economic power in the securities field, so many people would flatter him. If they didn't like me as being a potential threat, they would undercut you like that.

So after I got back, it wasn't too long before we began to have differences of opinion. Our investment department had sent into military and naval service probably fifteen to twenty officers. Not all of them had returned to the bank; some had returned before I had, some came afterwards. But they were all clawing for recognition and establishing their role, and wanted to make sure that they were onward and upward. That was not easy to handle. Everyone was concerned about titles, everyone was concerned about their salary, and it was tough slugging. Of course, the one thing that any of us who had been in the armed forces knew is that generally, you're told by someone to do it, you did it. That was kind of hard, because sometimes people in the civilian life didn't understand it.

The Death of Franklin D. Roosevelt

Chall: Before we go on, let me ask what was your personal reaction and the reaction of the people with whom you were working when [Franklin D.] Roosevelt died suddenly? What effect did it have on the group that you were working with?

Browne: It was a great shock. We didn't believe it. Considering the employees, there was a great shock. I have to add to this the fact that Mrs. Roosevelt was a visitor on occasion, and she communicated very well with the staff. The officers were only concerned, I guess, about what changes it might make in any duty assignment they might have, but I think the employees were very concerned. We were all uncertain.

Chall: And was there a feeling of sadness, among many?

Browne: I would say so, because there were no political overtones, no one was worrying about how many times the president had been in office, which is the concern as the leader. No one at that point in time knew the discussions between the other NATO leaders that

had an impact upon President Roosevelt's health. But it was a tough one. Frankly, we were not too well informed about a lot of things, because we were kind of an enclosed castle.

Chall: All right, now you're back in the Bank of America.

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V CONTINUING CAREER WITH THE BANK OF AMERICA N.T. & S.A., 1946-1971

Assistant Vice President (1946-1952); Vice President (1952-1955); Head of the Municipal Bond Section, Bond Investment Department (1946-1955)

Chall: When you left for the army, you were the assistant cashier, I believe, and assistant head of the municipal bond section of the Bond Investment Department.

Browne: Yes.

Chall: When you returned to Bank of America, you were no longer assistant cashier, but you were, according to your own material, an assistant vice president.

Browne: That was one of the bargaining points on my return. The bank had established a review committee for all men and women who had been in the service. They were supposed to review what your performance had been before you left, and had you continued on with no interruption, what you would be expected to receive and do when you came back. That was a great idea, if it was realistic, but they were at that point in time not able to keep up with what was going on in the outside world. So, each individual would go through interviews, and I insisted on a proper salary and title. I felt that Prosser had left, he was a vice president, so I should be a vice president. I knew what his salary was, and what he was going to make in Seattle, and so I insisted on a comparable salary.

And they wouldn't agree. They finally capitulated, but they were concerned about the politics of my being the vice president, as compared with some of the other officers. So they had to play that game.

Chall: So that made you an assistant vice president. Who was your

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
SAN FRANCISCO, 20

FRANK F. RISSO
VICE PRESIDENT AND PERSONNEL RELATIONS OFFICER

March 15, 1946

Dear Mr. Browne:

It is a pleasure to confirm your appointment as Assistant Vice President of the Bond Investment Department, San Francisco Headquarters. This appointment will become effective as of the date of the next Signature Letter.

It is needless to say that we are all very happy to have you back with us again and that you have our sincere good wishes for a successful future with our institution.

Sincerely,

Frank

Mr. A. K. Browne,
Bond Investment Department,
San Francisco Headquarters.

immediate superior then, as vice president and head of the bond investment? Was that Russell Kent?

Browne: Yes.

Chall: And Russell Smith was still cashier?

Browne: Yes. He was about to undergo a change from cashier to being head of international banking. He was still cashier. And there had been another individual brought in, who took over more responsibility for the investment function, and that was Francis Baer. He'd been with the Civic Finance Corporation in Los Angeles.

Chall: Okay. Well, we'll get back to the bank. I think that you had said in some of your material that, in fact, the whole municipal bonds section of the Bond Investment Department was pretty well decimated by the war, so you really more or less started all over again. What were the conditions in the bond section, and what were your first moves?

Browne: While I was preparing to return from military service, I had had periodic input from friends of mine in Wall Street. So I was being posted on developments that were taking place. I was having lunch at the Chase Bank one day with a group, and I can still remember, I think it was Gene Black walking in, and his face was touching the floor, because the Bank of America had just become the largest private bank in the world. Our assets topped Chase and the Citibank at that time.

Chall: Now, this was while you were still in the service?

Browne: Yes, I was still in the service, I was still in uniform. The word came out that I was being asked to return; most everyone expected I would be back in force. When Prosser left, it made another chapter in the book.

But when I returned, one of the first things I was asked to do by Russ Kent's assistant, whose name was Taylor Peery, he said, "I want to have an organizational chart of your operation."

I said, "I've been away for four years! How do I know what I want? How do you think I can structure something like that?" He said, "Well, I would like to have it." And I said, "Well, if that's what you want, I'll do it, and I'll do it for the entire Bond Investment Department." So I did. I gave him an organizational chart for the entire bond investment operation, the municipal bond, the corporate--all of it, and that's what

they bought. But after four years, I thought that was stupid. But the challenge was there, and I could claim that I was the person who had put it together.

We were pretty much in the same quarters that we had occupied after Pearl Harbor. There was some shifting of office space between the Trust Department and the Public Relations Department, but it was essentially the same. The staff at that point in time was not too large, but as bodies started to return, why, it was obvious there wasn't enough space.

In the municipal bond operation, when I left we had just two people. When I returned, the whole marketplace for state and municipal bonds had shifted. The drought that occurred during World War II, where there was no public financing of any consequence, suddenly changed because every unit of government had postponed things, equipment was breaking down, facilities were no longer adequate. So the major thing was to get into the bond market and finance growth.

The state of California had developed a rainy-day fund, which was put aside in anticipation of the needs that would follow once the hostilities were over. So there was a great push. But during that period of time, because the bank's role had been minimized, and my associates were I would [not?] say very aggressive, they had been unable to do the managerial work that's required for underwriting and dealing in securities, so they would let someone else do it. So long as the bank could put in the bid on their stationery, and have their good faith deposit, they'd take the publicity, but they didn't do anything else.

Expanding Activities in Syndicate Management and Underwriting

Browne: It didn't take me very long to find that out, and I said, "This has got to change. It's not going to happen any more. We're going to put in the bid, and we're going to have our syndicate, and we're going to manage it. Those that don't want it that way, we're not going to stand in their way, but they're not going to stand in our way." So this started the upheaval of making the bank the senior manager of all the underwriting accounts of municipal bonds. And that meant, in due course, we were going to expand, we had to develop procedures, we had to have forms, we had to do a lot of things; and we did it. It made a lot of people uncomfortable.

Chall: A lot of people in other institutions outside of the Bank of America, or within the bank itself?

Browne: Well, we did everything inside, but the people who had been members of syndicates that we had participated in, they had to make a decision, if they wanted to stay with the bank, or if they wanted to go their own way. Ninety percent stayed with the bank, and most of them were very happy because it gave them something to lean on, because we provided the capital for their good faith deposits. But it wasn't well received by some of my associates, because they had been flattered no end, and as long as they were playing with their friendly competitors, why they didn't want to be removed.

As a matter of fact, that was the first thing I ran into: those who had filled my shoes, you might say, while I was away, they resented the fact that I was back, because it meant they had to take a back seat. I wasn't going to be unhappy about it, but I certainly wasn't going to stand for it.

Chall: I did talk to Russell Smith during the week--still a pretty lively gentleman. He told me that he and Kent and Prosser used to meet briefly every morning and decide on the bids--how they were going to bid and what they were going to bid on. I wondered how the meetings took place, and he said, "Well, we just would meet in the morning briefly and make some decisions." So now you were in Prosser's place. Is that the way you operated?

Browne: No. Actually, I had been given carte blanche to proceed to do what I was doing. The only thing that would require any meeting with Russ Smith or whoever succeeded him would be how many bonds would be purchased by the bank for some investment account. That was an investment decision, not an investment banking decision.

Chall: I see. But if you had to make a decision on how you were going to bid for the bank's own investment, I suppose there had to be some decision made with respect to how much money you could be allowed?

Browne: There had to be that as a matter of practical experience. We finally drew up specifications to identify the responsibility of various individuals in committing funds. It was pretty loose; really had been left primarily to the General Finance Committee. The General Finance Committee really had no basic input from what the marketplace would say you should do. But they would be the ones to approve it. No one was running away with the bank's capital, but as the dollar signs indicated larger figures, we had to make sure everyone understood it. When we were bidding on large blocks of bonds, fifty million or more, they weren't for

the Bank of America's account. They were for a syndicate. So the syndicate function was clear and no problem. But if the Bank of America wanted to take part of that block of bonds into their own investment account--or dealer account, as the case may be--that usually was done with the general understanding of what we were expected to do. But sometimes, we'd have very heavy schedules, and there would be quite a few issues to segregate and decide what we should handle.

Chall: And how much to bid on in order to make a profit somewhere along the line?

Browne: That's right. Well, the techniques of bidding in the marketplace had to be left to the experts. All you could do as far as a committee is concerned, or some senior officer, would be: "This is what we recommend." And they would say, "Well, sure, go ahead." Occasionally, if they had any personal investment interest, as some of the officers did, then they might question you about the details. We had a couple of pretty senior men who were very much that way.

Chall: Otherwise, you were considered the expert, in terms of setting up the bid for the syndicate? Did you manage the syndicates most of the time?

Browne: All the time.

Chall: All the time? Pretty heavy responsibility. And were your syndicates made up of the same institutions most of the time?

Browne: That gets into the mechanics of investment banking as it was then known. Generally, they would have what they call historical associations, and the same dealers would bid for the same name in the same relationship. And so every time the state of California had a bond sale, the same account would be reformed. Now, you could add individual firms, or you could take them away. That continued. Sometimes, the syndicate would be set up for a very large amount, and they would only sell a small amount, so then you'd release members and they could bid as they saw fit.

Meeting the New Challenges

Chall: This is from a letter that you wrote to Miss Anne Kempton in October 11, 1983, who was in the executive office of the Bank of America. I think she was at that time considering writing something about the history of the Bank of America's role in

municipal bond financing, and so you gave her quite a bit of information.

Let me quote what you wrote to her in order to understand how the bank's role changed, from 1946-1964. You wrote, "Syndicate management, top billing in advertising and publicity, ability to represent the syndicate to major institutional investors, preferred treatment on portfolio orders, fiscal paying agencies, occasional management fees and consulting services paved the way for acceptance of the bank's leadership role in the financial community, and of course 'big bucks' helped."[1]

In your chronology for the year 1946 prepared for Susan Morgan, you wrote, "Recognizing the growth potential of the California municipal bond market, I convinced management in 1946 that we should enunciate A.P.'s credo, i.e., 'the bank would bid for all California municipal bond issues, regardless of size, that could be legally purchased and were creditworthy.'"[2]

Then, again, "During this period, the bank's role was challenged by almost every syndicate manager--but nearly all accepted and stayed to join B of A managed accounts. It was made palatable as the bank accepted other managers in their trade areas, but reserved the management role in the 12th Federal Reserve District.

"Aside from being the largest holder of state and municipal bonds, the records will show that the bank was the 'leading' underwriter for several years."

Now, is that more or less what we talked about a little while ago in terms of underwriting and syndicate management? What was new in 1946 was that the bank now became the leading underwriter?

Browne: Yes. When you double check the testimony, you'll find it's pretty well pinned down to dates and months.

Chall: Yes. Mainly I guess what I'm trying to do is not only to get some of the history of the bank, but your role in it. You took a pretty aggressive stand, I guess, in making sure that the bank took the lead in managing the syndicate, and underwriting.

Browne: Well, it was a real challenge, because the bank had its interests

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[1]Letter to Anne Kempton, p. 3.

[2]Letter to Susan R. Morgan, attached chronology, p. 8. See appendix.

Bank of America
NATIONAL TRUST & SAVINGS ASSOCIATION
SAN FRANCISCO 20

L. M. GIANNINI
PRESIDENT

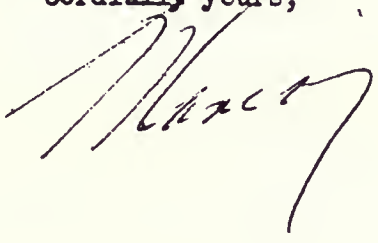
January 8, 1952

Dear Alan:

It is a pleasure to confirm your appointment as Vice President of the Bond Investment Department, San Francisco Headquarters. This appointment will be reflected in the January 15, 1952, Signature Letter.

Congratulations and sincere good wishes for your continued success.

Cordially yours,



Mr. A. K. Browne
Assistant Vice President
Bond Investment Department
San Francisco Headquarters

January 12, 1952

Dear Mario:

The welcome and most wonderful news of my appointment as Vice President of the Bond Investment Department really caught me off balance. Your note arrived in the midst of our $50,000,000 State of California sale on which we had just received confirmation of purchase by a very close cover. Consequently my mind was completely occupied with the underwriting details. Needless to say, Mario, I am very grateful for your confidence in me and I look forward to the greater challenge in the performance of my duties for the Bank.

Most sincerely,

-/-

A. K. BROWNE
Vice President

Mr. L. M. Giannini, President.
Bank of America N.T. & S.A.
300 Montgomery Street
San Francisco 20, California

in this field changed by virtue of changes in the bank when the merger of the Bank of America and Bank of Italy led to rapid changes and the Glass-Steagall Bank Act brought about changes. And then not to tread on Bankamerica Company, so that the bank generally stayed out of it. When Bankamerica Company went out, and the bank came back again, it was [inaudible]. So we really established a new role, and took the lead. We had to go to the mat on a few occasions, very unhappy individuals, because they were fighting for their piece of turf, and I was fighting for ours. None of us were emotionally upset; it was just a matter of hard cards.

Chall: Going ahead to 1952, you have written, "As the bank's underwriting activities increased after World War II, it took a hard look at the securities industry's procedures and documentation. Not only were there more issues, but the dollar amounts increased in size, to enable the larger issues to be marketed nationwide, the bank developed cross-country syndication and conducted syndicate meetings in New York, San Francisco, and Los Angeles. Sometimes simultaneously. Syndicate agreements were rewritten and annotated. Next day ads were run in the financial media to cover the nation's major markets. New issue circulars were printed, and made available the next day for syndicate members in selected markets. Use of facsimile transmission of ads and circulars to key markets speeded up the process. Allocation of member's orders and confirmation were also dispatched overnight. The bank met the challenge and took the lead in innovating."[1]

That may explain some of what you said earlier about syndicate management, top billing in advertising, and publicity.

Browne: Yes.

Chall: Now, how did you get all that going in the days when it wasn't so simple, it seems to me, in the early fifties to work on a trans-continental basis. You didn't have conference phones in those days, did you?

Browne: Yes, we had conference calls. That was really a challenge, because most of our conference calls took place with the National Citibank. We had a conference room in New York and a conference room in San Francisco, and just opened up the telephone. The speaker phone arrangement was beginning to develop, so there was a little more clarity. But it was a matter of communication.

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[1]Morgan letter, attached chronology, p. 6.

The thing that was developing is that when you have a group of individuals who are committing themselves to bid on an issue and they don't want to go beyond a certain level, you have to have consensus. But then again, there's a question mark, because if we were doing this between San Francisco and New York, and it was the state of California, we'd have to have another phone open to Sacramento. When we made a decision here, then we would communicate with Sacramento, say, "This is what you put in the bid." And that was the thing that we were doing.

One of the things that happened right after World War II which brought this to a head is that several states decided they were going to honor their veterans, and they approved very large veterans' bond issues--veterans' bonus, welfare, whatever you want to call it. But they were very large in comparison to what those states had done before. The market hadn't really been developed for these large issues, so the theory was several of the states would crowd each other. So you're bidding on almost the same situation in different places. You had to have the mechanics, you had to have dealers who had the capital to underwrite and do a job.

So that was what was developing. On top of that in California, we had all these small local issues. So we were trying to beat the gun. We called on all the talent that we could. We had our public relations people work on the communication, circulars, and ads. We worked with our attorneys on details. It was an ongoing and continual challenge. I think a lot of people thought maybe we were spinning wheels, but that was the way it was done, and that's what we tried to prove. Some people thought it was not profit-productive; they figured there were better ways of doing it, but at that point in time it was the best we could come up with.

I had been advocating, apropos of my experience in the office of dependency benefits, the use of computers. That's where we really stumbled, because computers were the last thing we needed. I had my famous exchange with Clark Beise, because he got very upset because we weren't using a computerized system for our bids.

Chall: He wanted you to?

Browne: Yes, he wanted us to, but he on the other hand had refused to give us any money. When I laid it on the line to him, he changed. The problem of the bank again was that developing in the computer world, there were priorities. Our investment function wasn't as important in the scheme of development as some of the other functions. So there weren't enough people, and the

talent for programming these changes was minimal. So we stood out at the end.

What finally happened, we had to actually secure outside talent. We paid for, hired it, to get some of the activity. Today, it's a completely different world. In those days, we were really pioneering.

Chall: Yes, the Bank of America I think probably did pioneer the use of the computer. Of course, they took up a whole room or two in those days.

Advertising

Chall: You've also said, continuing your chronology for 1952, you wrote, "The Bank was the first to include in its ads thematic vignettes relating to the issuer and purpose. Later it launched a community service campaign (first) to reflect the bank's interest in the local governmental unit whose bonds had been purchased. It enabled branches to show that depositors' money was being used to support their local needs."[1] Tell me about that. You were the first to include thematic vignettes? What did that mean, and what did it entail?

Browne: We were trying to include in the tombstone--which is the normal term used for financial ads, bond and stock issues--something that would indicate to the person who read it what was behind it. Where there was nothing other than the amount of bonds, the name of the issuer, and the offering price and a little detail, nothing beyond that. So for the state of California, we tried different things. We put in a big bear, or the map of the state of California, or something like that. If it was water works, we'd have a sketch of a water works deal. It had to be relative; it couldn't be something out of your imagination. We were trying to make sure people could see the ad and it would mean something to them.

Under the various securities acts, there were limitations on what underwriters could put in ads. They were supposed to make sure there was nothing that would be considered promotional. Well, I checked it out with our attorneys, and I found that there was no reason why we couldn't do what we were doing. But when we first ran our ads, some of our eastern partners just dropped out

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[1]Morgan letter, chronology, p. 4.

of our syndicates. They refused to underwrite them unless we changed the ad. They said their attornies said they were inappropriate, or whatever. I said, "Well, that's too bad. We think we're right." So, passage of time, they accepted them.

Chall: I see. Because usually, I don't recall seeing anything like that anymore. Usually, you just see the names of the underwriters and that's it.

Browne: Yes. But one thing you don't really see now is the ads for municipal securities; they are few and far between. The market has changed, and most everything is negotiated. So it's a different ball game. But in the days when we were selling school district bond issues, and city water works issues, and sanitation bonds, and so forth, throughout California, each one would have a little different appeal. I thought it was pretty good. We even went further: when we produced our circulars, we had a color we used for the circulars that typified what the issue was. If it was a school bond, it would probably be blue--that is, the ink would be blue. And if it was a sanitation, it would probably be orange. If it happened to be a hospital, it would probably be green.

So anyone could see in one of our circulars, that represented that type of thing. So we had a color chart, we used that. We were always trying to improve. That was one of the big challenges in the industry--was to broaden the market for--

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And that went into changing our syndicate agreements.

Chall: I see. And gradually, the syndicates--those that stayed with you--approved?

Browne: Well, they probably may have not been too happy, but they accepted it.

Chall: They wanted to stay in the syndicate.

Browne: Sure. And we were doing so much for them, it didn't cost them anything.

Chall: Because you were doing most of the advertising, management, and all that?

Browne: Right.

Chall: For which of course you got a fee, but still it was your personnel and cost.

Browne: That's right. We built up a great relationship. So the media became good supporters.

Chall: Yes. You were advertising. And since your syndicates were nationwide, were you advertising in the standard newspapers, the Wall Street Journal, the New York Times, Los Angeles Times, and local papers?

Browne: Well, we had a budget. And so we had to make sure that we were spending our advertising dollars effectively. We'd get our advertising people to give us a rundown, what was the most effective media to be used for what we planned to do. If a newspaper had broad distribution, you'd get more mileage out of advertising in that particular paper, as compared to others. Really, the true financial papers were minimal. Wall Street Journal was the basic media that we used as they developed editions geographically. They transmitted their information by electronic system.

Chall: That took a while, though. That's relatively new.

Browne: Yes. We were getting into that. The New York Times was great because everyone in New York City, and Chicago, Philadelphia, and Boston would get the New York Times in the morning. So, if they could open the paper and see our ad the day following the sale, it was a very important advantage.

Chall: When you say the day following the sale, you mean the day following the date when it would be in the hands of these underwriters?

Browne: Yes. In other words, if we had a sale today, and the bonds were to be offered, it would either be today or tomorrow. But generally, it would be the same day that you purchased them. So people the following morning, if they could see the ad--. Later on, some of my associates didn't think that was terribly important. They thought it was better to just bide your time and let the marketplace catch up with what was going on. But I said, "Well, this is a timing factor," and I thought it was important. It worked out quite well, because we got good response. But we couldn't advertise in many of the local newspapers around the country. Just they had no financial page worthy.

In California, we worked it differently. We tried to select a newspaper in the county where the issuer was located. So we'd get the county newspaper--sometimes a weekly, sometimes it was a daily--and we'd always run an ad. We did that out of courtesy to our depositors, and our branches, and to our stockholders, to let them see what the bank was doing. We'd always try to make the

pitch, so there always had to be some press release that would go out. And again, it was an indication that the bank was putting depositor dollars to work in your community.

Chall: It wasn't necessarily for purchase of the bonds?

Browne: Well, it worked that way. That's right. In other words, we couldn't tell the investment capability of our depositors. But we'd get orders from the branches. So we found it was rather stimulating in that regard.

Public Deposits: The Pooled Fund Concept

Chall: Now, to go on with your history. You date the following from the fifties to the seventies. "The bank was the leader in legislation involving public deposits. It sought to liberalize collateral requirements and eligibility of various securities. It took hold of the pooled fund concept and drafted the legislation that ultimately was adopted."[1] What's the pooled fund concept that you took hold of?

Browne: Well, the state has statutes which govern the deposits of funds of local entities. They set the rules by which you deposit your money, and the limits that you have on how long that you can have a deposit available. The original public deposit concept was, the more public money you could put in your bank, the better you were. But these statutes also prescribed how those deposits were to be collateralized. So, if a treasurer wanted to deposit $100,000 in your bank, you would have to put up $100,000 plus eligible securities. Eligible securities would range from United States Treasury obligations to their own local bonds. But the main thing was that there were attempts made to soften the use of bonds, so that more speculative or less secure bonds were being put up to secure public deposits.

So that was the general approach. And there was the difference between a time deposit or a demand deposit. A demand deposit, you didn't pay interest on. A time deposit, you'd have a rate for the period of time that would be in your bank.

The pooled fund developed in Sacramento. There are any number of entities in the state of California's family that have funds. Some of them are just regular state funds, and some of

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[1]Morgan letter, chronology, p. 11.

them represent federal funds, and some other funds that come in from the taxpayers. So, for each account, you have these different funds. Well, there was a point in time where if you were in the business of selling securities, you would go after each one of these funds, and try to have them buy your securities and get their deposit.

The pooled fund came out of a need to commingle the funds for the benefit of all, so that all would have the best rate possible for the money that was on deposit for the time it would be there. There were some tricky things about collateralization on this, so what we were trying to do was to develop the concept that that was a better way of doing things. So you'd have one place where you could deposit the securities and not have them scattered around.

We finally had the legislature pass the necessary legislation. It meant a lot of work in order to convince people it was in the best interest, and there were those that still fought it. But it still is in effect now.

Chall: Did the Bond Investment Department take the lead in that?

Browne: Yes. It sort of became a project of the California Bankers Association. The California Bankers Association is an organization that doesn't have too much depth in specialized areas. It's a good group, they do their thing, but when it comes to specialization, they don't. So we sort of did it for the California Bankers Association, in effect benefitting the Bank of America.

Marketing Municipal Bonds

Chall: Marketing of municipal bonds. "The bank has been a leader in support of measures that would help state and local governments market their bonds. Among the many suggestions that have been adopted by the industry are: Legal opinions printed on bonds. The bank was the leader in California and helped nationally. Uniform size of bonds; wing bonds; interchangeable registered bonds; engraved and lithographic bonds; fiscal paying agency; standard circulars; improved statistical reporting; CUSIP [Committee on Uniform Securities Identification Procedures] identification; municipal bond insurance; independent credit

ratings; and, one manual signature on the bonds."[1]

Now, was all this relatively new in 1950? Here's a bond that I just bought. It has a border on it, it has a legal opinion printed on the back. And that was not in there, say, in '46, '48?

Browne: No. There was only one issue that I ever saw that had a legal opinion on it. It was an issue of the city of Eureka, and it had to be issued sometime around 1900. I just ran across it one day. Now, this is an engraved border. Generally, issuers would get a lithographed border. And again, this was a question of counterfeiting and forgery. The theory is that if you engrave, you make a photocopy of it, it will show up. So that in a sense was to provide that.

You see also, you have one real signature. The others are facsimile.

Chall: That particular signature has been actually signed manually? That had not been done before either?

Browne: I can't say it hadn't been done. There would be rare instances. But the main thing was, you used to have to sign by hand. So all the officials required to sign a bond had to do it. The only thing they didn't sign was the coupon. They use a facsimile signature on the coupon. For some issuers, you had several signatures. It was pretty cumbersome. I think I told you the story about Sunny Jim Rolph signing the Spring Valley bonds?

Chall: No, I don't think so.

Browne: I had to pick up [laughs] a bundle of bonds from the treasurer of San Francisco, and there's a reference to it in here.[1] The Bank of America bought the--let me see, I guess I'll say it's the Spring Valley Issue. They bought the Spring Valley Issue. They couldn't sell the bonds; they were 4 1/2 percent interest. The first maturities were due in a few months, so they bought the bonds at par and they sold the remaining bonds at a discount to the syndicate. I had to check over the bonds for delivery. They'd been in storage, because they couldn't sell the bonds. The rate was too low. And this was the purchase of the Spring Valley Water Company by the City and County of San Francisco.

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[1]Morgan letter, chronology, p. 10.

[1]Morgan letter, chronology, p. 1.

Well, Rolph, as you know, he always wore boots, and invariably had a bottle of bourbon in his pants leg. When he signed, he used to sign with a great flourish. He used India ink, and a quill pen. I may have one of his bonds around here, I'll show it to you. He made a very distinct flourish. But as the bourbon continued to work, his signature would get larger-- And occasionally he'd get ink all over the bond. They were something very precious. So we thought if there had to be a regular signature, it better not be the chief executive, but let someone else do it for him. So that's a very good example of what we tried to do. And again, you see, this is registered.

Chall: Yes, it is, it has a CUSIP identification. They hadn't had those before?

Browne: No. This was an idea whose time had come, because it was almost impossible to identify bonds.

Chall: And the uniform size, of course, that made some difference. Now, I'm familiar with most of these items listed here, but I don't know what a wing bond is.

Browne: Oh, I'll tell you what a wing bond is. It has wings on it. Normally, a book bond would be like this, and the sheets of coupons are attached at the top. [demonstrates] They flow down this way, and you just cut them off as you want. So that is the book, and you fold it up like this.

A wing bond would be like this, but it would have the coupons as part of the certificate on either side. So the bond was in the center, and the coupons on either side. They were awkward. On the other hand, if you pile them up, you could cut through quite a few of them, where if you had a book form, you couldn't cut through because you had all the other coupons underneath. So, that was the terminology.

Chall: I see. And those are still put out?

Browne: Today, you have to have registered bonds. But there are still millions and millions of bonds outstanding that are not in registered form. And many of them of course are not in book form, or wing form.

Chall: Now, all these standards--did the Bank of America take responsibility for establishing them?

Browne: I did this primarily through the Investment Bankers Association, and the Municipal Finance Officers Association. We had a liaison group of several similar organizations which met with the

idea that we would try to have uniformity, and any way we could help we would do it. Actually, my friendly competitors really didn't want to spend much time on it. They didn't want to really do much to improve the business. We felt it was a challenge. We had a committee, the Investment Bankers Association, which was to improve the marketability of municipal bonds. These were steps in that direction.

Chall: Did these improve the marketability, or was it also for improving just the way of keeping track of them, handling them, putting them into safety deposit vaults--?

Browne: Well, that's the marketability, because if you were a major investor--take for instance the Bank of America. It used to have in its vault in San Francisco a place where they deposited bonds. Well, they really developed into having a sling for bonds. They just had them in a sling in whatever form they were. Before that, they would usually be in a steel filing cabinet, and they would have to conform to the legal size of the filing cabinet. But if you had all of these wing bonds, you'd have to fold things over, and you have to bring them out.

So this meant that for those who were major investors who did not want to be burdened with a lot of clerical detail, this was a factor. And then again, it was easier to double check on some of the detail. It was right there, you could see it. And again, when you're buying fifty million bonds and they're being delivered to you by whoever the agent is, someone has to check all the bonds. We have had any number of instances where the printers goofed, they had the wrong maturity in a coupon, at the wrong rate of interest. And sometimes the wrong signatures. But you have to check it.

And then of course when you find errors, what are you going to do about them? That's another thing we worked on, is to try and find an acceptable means of correcting these errors without creating the horrendous expense of having to reprint the issue. In other words, it was research.

Chall: You must have had a fairly good sized department, then, as time went on. Did you have your own advertising group, or did you use the advertising personnel of the Bank of America?

Browne: We had our own. I ran into a problem using the bank's advertising department. Again, they were protecting their budget, and anything that we might need for our activities, they weren't willing to allocate it to us. So we went around and said, "We are trustees for our syndicates, and we're spending their money for advertising." So we would go out. We used,

essentially, Albert Frank-Guenthert Law, Inc. which was a well known old time financial advertising organization. We developed many of our innovations through their cooperation.

Chall: So that was outside your bank?

Browne: Right. When the bank wanted to make a big push of some kind, then we would let them provide us with some funding.

Managing the Municipal Bond Section/Department

Chall: Did you have to depend on the Bank of America to give you some funds within their budget to run your department?

Browne: We were always very careful. We performed according to the bank's rules and regulations on providing the budget, and budget sessions were held. My staff usually did the budget work, and we made very certain that we were within whatever basic limits were appropriate. We had no problems at all. Sometimes, why they would allocate us more money than we wanted. By the same token, they also cut us off. But because we were doing this thing for other people, we were given a lot more freedom, because it wasn't the bank itself.

Chall: And you were purchasing bonds not only for underwriting outside the bank, but for the bank's own investments.

Browne: Right.

Chall: Who made the decisions on which it would be?

Browne: Well, my associates were usually portfolio people. They would be on top of the mix in the account. We'd have it broken down by maturity, issuer, and amounts. If we saw a particular bond issue coming along and the general word had been that we were going to increase our investment, why that would fit in. We'd decide. Sometimes we would make a decision, and then we'd have a lot of competition; other people wanted the same bonds; we'd give them up, but not always. But we had to allocate according to our needs. And we made a lot of the issues successful because our purchasing power was so large.

Chall: You say you had your own staff to be your experts in this. How did you pick your staff? When you needed experts--and you gradually needed more and more of them, I guess, to make these kinds of decisions--how did you pick them? Who were some of your

major subordinates over the years?

Browne: Well, the department grew without you might say very careful selection. We were limited by the availability of personnel within the limits of the bank's compensation program. And limited by their levels of expertise. In other words, were they college graduates? Were they MBA, or Ph.D.s? Or whatever. And then there was a barrier there for a number of years, where you would never approach an employee of another bank, so there wasn't job-hopping at all. We were sort of caught.

Chall: Was that a rule of the bank, or of the industry?

Browne: I would say it was unspoken word for all. We just wouldn't rob anyone. But that changed, of course. Of course we had evaluations in personnel on an annual basis, and we always had recommendations for salary increases, promotions and whatever, and we tried to continually stimulate or upgrade. We had any number of people who probably just didn't fit in in any other part of the bank. We needed manpower, womanpower, so we accepted any number of people that, had we had the right to make a careful selection, we might not have picked.

Chall: Did that hold true up through 1970 when you left, or were you gradually able to go out and hire from other banks?

Browne: I was still struggling.

Chall: So you had to train these people, then?

Browne: That's right.

Chall: And how were they? Were most of them trainable?

Browne: No. No, they performed. They developed the team spirit. The biggest problem had been-- After I left, there was no one, and I mean literally no one, who had any years of experience in investment banking. None at all.

Chall: That's really surprising, considering you were there from '46 to '71. That's twenty-seven years.

Browne: We just couldn't get people.

Chall: Is that the bank's fault, their personnel policy, would you say?

Browne: It was definitely an oversight. There were too many reasons why. They just didn't feel that they were going to give us much recognition. One of the soft points, Malca, is that the

investment business compensates personnel at a higher level than banks do, and that's a continuing problem. So, let's say a person at this level at an investment firm would make $1000 a month. In the bank, they would be lucky if they made $750. It means you get into a higher echelon. And then they had not developed any means of compensating on production, which they do now, but they didn't in those days. So you could be a great producer, but you didn't really make any more money. It wasn't being measured that way. And that's one thing about the investment function of the bank: we, from a manpower standpoint, sitting on a huge asset, could produce earnings far beyond anyone else. We were producing 15 to 20 percent of the bank's earnings in one little department. So we had that kind of leverage, and of course it aroused a competitive irritation.

Chall: In reading the Biography of the Bank, I understood that the concern primarily was on deposits and lending. But, you say, after World War II your Bond Investment Department became more and more important to the bank, but that wasn't recognized perhaps?

Browne: No, it wasn't. Going back to the people, I think, that were associated with me. Lee Prussia, who was my assistant, and replaced me, retired a little over a year ago as chairman of the board--he was one of those that was out. My other assistant, who originally I had selected to become my successor, was a fellow by the name of Ted Griffinger. He left the bank because he was very unhappy with the treatment he was receiving, and ultimately passed away. He was a great friend of Russ Smith. As a matter of fact, Russ Smith brought him into the bank.

Other people that have been there; Arthur Micheletti I see periodically. His family had been associated with the Bank of America, Bank of Italy, and A.P. Giannini. He headed up the bond trading function, and then became head of public finance. He's retired.

Larry Prager, who was an early associate of Mal Prosser. He headed up the municipal bond trading. He's retired. He was a Stanford graduate.

Jim Reed, who was one of my administrative assistants. He took on numerous jobs. He was the son of the Commander Reed of the Golden Gate Bridge and Highway District. He's a Stanford graduate, still around.

And Leo Babich, who headed up the Los Angeles office. He had worked for the bank at one time in 1928 and '29, ultimately left and came back. He had good positions.

Any number of individuals I can think about, but there is an awful great many I can't pinpoint. But I can tell you how many secretaries I had. As a matter of fact, Betty received a letter from one of my former secretaries a day or so ago. She resides in San Diego. Most of them still communicate.

Chall: I wanted to be sure that we had a feeling for changes in the bank's bond section. 1949, A.P. Giannini died. What was the general effect on the bank's personnel, and then the operations? Mario of course took over immediately, and had been really the president of the bank, had been in charge. But in terms of just the way things seemed to--let's say, the emptiness that was involved. Did you feel that there was an emptiness as a result of A.P.'s death?

Browne: We all felt the leadership that he had exerted in his several capacities was gone. We knew Mario was well steeped in his father's ideas, and would continue to expound them. He would have the apparatus that was around for communicating from the bank to his role. But then the question was, Mario's health was always a factor that no one quite knew.

Vice President, Head of the Municipal Bond Section, Assistant Head, Bond Investment Department, 1955-1956

[Interview 4: June 28, 1988]##

Chall: I'm going to continue going through your work in the Bank of America, covering your career for a few more years; then move into your civic work, like BART [Bay Area Rapid Transit] and the Candlestick stadium commission, all that sort of thing.

I think we'll start today with 1955, because nothing changed very much in terms of your position until about '55, when you were promoted to assistant head of the Bond Investment Department. Who was the head of the Bond Investment Department at that time?

Browne: Russell Kent.

Chall: And what did it mean now that you were his assistant?

Browne: As assistant I spoke for him when he wasn't there, and had the basic authority in the chain of command, because of the way in which the department was divided. I would head up the municipal operation, but then the government bond operation, and corporate bond operation, and so forth, they would report to me if Kent

wasn't there.

Chall: I see. So it wasn't a major change, but--

Browne: It was moving into a more senior administrative role.

Chall: How did these changes come about? Who made those decisions to promote you now to assistant head of the BID?

Browne: Well, the decision was by the president of the bank, and at that time it was Clark Beise. One of the problems he faced was the fact that Russell Kent was not in the best of health, and was a fairly senior person. The changes which were taking place in the bank and in the securities industry put a great deal of pressure on the head. Everything was standing still. There was no progression, no moves, to advance the investment function. Competition was becoming very keen; the bank's assets were growing, so there was greater responsibility on the head to perform under those conditions.

In my case, I was frustrated because I couldn't get support to do the things I thought should be done. Finally, it was Clark Beise's decision to have my function set up as a separate entity, reporting directly to him, and I had equal voice on investment matters that Russ Kent had.

Chall: I see. So that's the reason for the creation of the Municipal Bonds Department and separating it from the Bond Investment Department [1956].[1] How did you work with Clark Beise? He was president from 1954 to '64. He was the interim man. I understand Carl Wente [president, 1952-1954] and Clark Beise were very different kinds of people, temperamentally. Clark Beise, was not much of a joiner, and didn't enter much into civic affairs. He was shy and quiet. According to Earl Coke--who was with the bank for a number of years--Beise was hard to understand sometimes.[2] Perhaps he wasn't always clear about the way he expressed himself. I just wondered what was the feeling you had in working with him? How did you work with him?

Browne: I worked with him I think quite well. We sort of had a mutual agreement that I didn't bother him unless there was some problem that arose. Or, if he wanted to communicate with me, I was

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[1]Letter to Anne Kempton, p. 3.

[2]James Earl Coke, Reminiscences on People and Change in California, 1900-1975, an oral history conducted by Ann Foley Scheuring, University of California, Davis, 1976. Ronald Reagan Gubernatorial Era Project.

always available. So I didn't join the palace guard, so to speak, which is typical of the senior position people--usually floating around to offer their best advice and keep in touch and make their presence known. I was too busy. The duties I had, responsibility on dollar commitments, didn't require me to spend a lot of time just trying to make a pleasant relationship.

Clark was a quiet, conservative man. He came out of the University of Minnesota, played football there. He was in the investment business at the time of the banking holiday, and became a national bank examiner. That's how he became a likely person for the bank. A.P. selected him, and I think he added expertise at a time when it was quite necessary in dealing with the bank's loan portfolio. But he was very quiet, and he still is. He wasn't a person that would lead a parade. But pretty solid, and I thought quite personable.

At times, we didn't always agree on some of the details that I was in favor of, or I didn't always respond sometimes to things that he thought were important. But it didn't have anything to do with the functions of the bank. But in our chain of command at times it was awkward.

Chall: How do you mean that?

Browne: Well, it was a question of when you report to the president directly, you have to have one-on-one. But unfortunately at times, there were other people who would get in between. That is when it became awkward.

Chall: I see. Just like trying to see the president of the United States, through the chain--

Browne: You have the advisors that are there. And the bank had had a reputation of having a number of individuals that were carriers of information. If you were operating as a chief executive officer, you had to have a lot of information coming in to you. Well, the question would be, is the information you receive appropriate, adequate, and effective? And sometimes that information wasn't always the best.

There were too many people who were trying to make brownie points and advance their own personal career, which was awkward. In my case, again going back to the fact that the responsibility as a pretty young person in the very top position, I had to compete with a lot more senior people.

Chall: So the senior people were still there. Did Russell Kent remain the head of the Bond Investment Department?

Browne: He continued on in the Bond Investment Department until finally he retired, on ill health.

Chall: Was that about the time that the Bank Investment Securities Division was created? This is in '64.

Browne: No, it was before that [February, 1962]. What had happened, again Clark Beise was responsible. He took one fellow who had been the bank's economist by the name of David Grove, and another person who had been a government bond trader working under Russ Kent by the name of Bob Gilmore, and had a dual management.

Chall: In that one department?

Browne: That's right. [chuckles] They sat in the same office that Russ Kent had, and each one had their desk. It was very confusing.

Chall: How did they divide it?

Browne: One sat on one side of the room, and the other sat on the other side of the room. [laughter] Gilmore stayed on top of the government bond operations, and Dave Grove tried to be more of an economist on that portfolio side. It was not workable, and I was pretty mad about it because I thought it was changing the whole thrust that we had of having one investment function in the bank.

So it didn't last too long. The result: Gilmore stayed on and Grove moved out, and I took over.

Chall: Gilmore stayed on in what capacity?

Browne: He headed the government bond operation. And then I reorganized it, changed his role somewhat, and in due course he left the bank. He went East to become fiscal agent for the Federal Land Bank, a job which is available to people who have that kind of background and experience. So it was a good position. Unfortunately, it didn't work out too well for him. From there, he went to a firm called William E. Pollock and Company. At the time he retired, I think that's where he was.

Dave Grove moved around, being an economist. He had a good flair for being a good projector of what's going to happen in the economy. I don't know where he ended up, but when he left the bank, he went to work for IBM. He disappeared from the active scene.

Vice President, Head of the Municipal Bond Department, 1956-1964

Chall: Now, when you became the head of the bond department, then you would be needing assistants.

Browne: My immediate assistant was an individual by the name of Ted Griffinger, who has passed away. He was a protégé of Russ Smith. Delightful person. Lee Prussia--those are the two top men. Then we broke down the other activities. Gilmore was part of it, and Larry Prager, and I could give you any number of individuals.

Chall: The people you mentioned last week?

Browne: Yes.

Chall: Then Beise made a couple of very major revisions, in terms of your area, and he did that--

Browne: Just on the verge before Rudy Peterson came in [1965-1970].

Chall: Would you say he was a good organizational manager?

Browne: Yes, he was good.

Chall: Did you have differences of opinion with him about where the Municipal Bond Department was going, or the kind of investments that you were going to make, or anything of this kind?

Browne: Well, he wasn't exactly overly enthused about the expansion of our activity. We were growing by virtue of the marketplace itself, and we needed additional personnel and more financial backup. And at that time, I think he did not give us a very high priority.

Chall: That's interesting.

Browne: There was a growing interest in the international field, too. And Clark Beise was the one that created the first use of computers for banking purposes. At least he launched the project. This took a lot of attention, and also the question mark as to how it fit into all the other activities. But at least that had top priority. There was one area where we had a disagreement, because we weren't getting any of the benefits. Although I had been one of the strongest advocates of it. He found out sooner or later that it was necessary.

Chall: Who was getting the benefits?

Browne: It was mostly in commercial banking. They were approaching the loan problem; they were looking for a better insight into what their own exposure was. Getting away from just doing inventory work, into letting the computer do a lot of the thought process, helping the decision-making, which was not the original concept. All he wanted was just to have things added up and put on paper.

Chall: So were you in favor of the use of the computer for thought processes?

Browne: Oh, definitely. I was banging on the table, and not having been completely steeped in the process, but knowing the potential, it was a real challenge.

Vice President, Head of the Bank Investment Securities Division, 1964-1971

Chall: In '64 you were promoted to vice president, head of the Bank Investment Securities Division, and reported to the president. This was Beise, who decided to set up this one division.

Browne: He was all in favor of having it be one operation, but it wasn't until Rudy Peterson became president that it was expanded.

Chall: By expansion, what happened?

Browne: Well, we took in the securities department.

Chall: That was not done originally?

Browne: No.

Chall: So the Bank Investment Securities Division was gradually created?

Browne: Right. We were looking for things to do. I can't give you the exact timing, but this was a period when commercial banks were becoming banks under a holding company. So bank holding companies were coming into being. Bank holding companies were able to take on various duties and responsibilities, and sometimes the banks were part of it. Sometimes there were new facilities, new subsidiaries, new activities. We were all challenged to find more profitable ways to use the bank holding company, and develop more banking business.

Chall: What was your bank holding company?

Browne: Bankamerica Corporation.

Chall: And other banks were getting into this?

Browne: Right. They all had a shopping list of what they liked to do, and they also had grandfather clauses about things they were already in that couldn't be taken away from them, but they couldn't expand into those activities.

Chall: Were the laws changing?

Browne: Yes.

Chall: Federal laws?

Browne: Yes.

Chall: Banking laws, in the sixties?

Browne: Right.

New Headquarters: San Francisco, Los Angeles, New York

Chall: You mentioned that when all of this was going on, you moved to 555 California from the Montgomery Street office. Is 555 California the new--?[1]

Browne: Headquarters building, the world headquarters.

Chall: What kind of offices did you have?

Browne: We had the tenth floor of the building, and I was domiciled up on the fortieth floor, which was the executive floor. I had an office also on the tenth floor. And you know, given the passage of time, we were crowded. We didn't have enough room. The utilization of that space was a continual challenge. But we'd anticipated it, we had plans, and they were all pretty well activated by the time we moved in. The major thing of course was telephone equipment. We had to make sure we had easy access to the financial community in the United States, particularly.

Chall: You also said that at that time there were new headquarters in Los Angeles for your BISD?

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[1]Anne Kempton letter, p. 3.

Browne: That's right.

Chall: And also a new office in New York.

Browne: Yes. We went through several variations in New York, because the bank's original headquarters was Transamerica Corporation. I think that was 44 Wall Street, which had been the Bank of America National Association Building. Given the passage of time, we acquired the old Lee Higginson Building on Broad Street, which had also been a bank for a period of time. It was a very beautiful, New England style banking structure, and that was the headquarters. But it was inadequate. So they were looking for space, and part of the space was acquired by cutting through a wall into an adjoining building.

We just didn't feel it was going to work, so we had an office on Wall Street in the U.S. Trust Building. So we were just around the corner. That was an excellent facility, except it wasn't large enough. The bank did not want to provide additional space, because they expected sooner or later they'd take over the whole building. Then, after I departed, the bank moved from there to another address on Wall Street, and then they moved into the old Biltmore Hotel up on Park Avenue.

But, being in Wall Street was always a challenge, because there was a move on the part of the financial community to go "midtown," as they would say. So many corporations were headquartering their activities on Park Avenue, Madison Avenue, Avenue of the Americas, and this question if you were going to be midtown, what about downtown? Some of the banks, they had a regular limousine service. They just kept bringing their officers back and forth, which was kind of silly. But when you had meetings, and you had a meeting almost every day on some syndicate, on a bond issue, stock issue, and you had to have people attend, well, back and forth was kind of tricky.

But we were able to manage it pretty well, and as our activities expanded, we made a bigger impression in New York, we got more support for what we needed.

Chall: Did you have to travel much between Los Angeles and New York? Or did you do most of this by phone?

Browne: I was usually in New York and waypoints about once a month. I didn't spent too much time in Los Angeles, because that was a branch activity where they would more or less be on the receiving end rather than on the developing end. But, with my outside activities and promoting the bank's interest, I would be going to New York, and then, in turn, I would be in Boston and

Philadelphia, Chicago, and other places.

Chall: Just sometimes on speaking engagements?

Browne: Sometimes, but you always made both work.

Chall: So that you would then schedule your visits to the bank in New York with other things, or sometimes just go because you needed to be there?

Browne: Right.

Chall: With whom did you work in New York? Was there a Bank Investments Securities Division in New York that was under you?

Browne: That's right. And a fellow by the name of Ed Pierson was the resident head. He was more administrative, and we had different people in the government area and the municipal bond area. It was kind of a floating group; it was very hard to employ people in the marketplace because the bank wasn't that generous on their salary.

Chall: That's been true for years and years, you have claimed.

Browne: So we were charged with how superior would our personnel be. They were at a disadvantage, because when they were dealing with people who were compensated to a greater extent, that's tough. We tried to keep control as best we could, and tried to make people respond, but it wasn't easy.

Chall: I realize that part of this low compensation came out of A.P. Giannini's experiences, and his personal bias. But gradually as other people came in who would know better about the marketplace in terms of personnel--Wente, Beise, and then Rudolph Peterson--that pay policy could change. But it didn't?

Browne: It was changing. Carl Wente was an old school banker. I thought he was a great person, but he was tightfisted. He would always tell me, "Now, what you're talking about is money in an amount greater than my salary." And I would say, "Well, what's wrong with that?" We had a good relationship. Clark Beise just didn't respond. He was pretty cold, and his personnel people were part of the old school. Rudy Peterson was great; he was eager to advance and to have all the benefits that went with his role, but he was also very tight when it came to expenses. So he would be all for his program, but not so supportive of others.

Chall: How was the working relationship with Rudy Peterson?

Browne: Great. I had known Rudy since the 1930s, and had sort of followed his career. He had been with the Bank of America before I went into military service. And he came back. He was with Pacific Finance Corporation. Came in with Frannie Baer. Rudy had some background experience with the Weyerhaeuser group in the twin cities, in their finance role. Weyerhaeuser used to be great on building materials and so forth, but they also provided financing, and that was where he started.

When he came back into the bank, he was in competition with other people. I guess he went to work for the Transamerica Corporation. He may have had some differences of opinion with Frank Belgrano, who was the president of Transamerica Corporation. So Rudy from there went over to one of the banks in Hawaii, and that's where he was sought out and brought back. But he was the person who understood what was going on; I thought he was a lot of fun. He was of a different school, in terms of banking.

Chall: When Earl Coke was asked in his oral history about Peterson, he said, "He's a level-headed, vigorous, understanding person I think did a great deal to start the bank on the route that it is now on, which Tom Clausen followed up so well." He was, I gather, only about five years with the bank as president.

Browne: That's right.

Chall: Did he retire or resign for any particular reason, or was he sixty-five?

Browne: Sixty-five.

Chall: That's the age at which one still had to retire?

Browne: That's right.

Chall: That was an A.P. Giannini commandment too, wasn't it?

Browne: Well, one of the things they did on the board of directors was to permit you to continue on until age seventy on the board. But then you had to retire from the board. Prior to that, directors just continued to stay on, and they had some that had quite a number of years on their track record.

Chall: Yes.

Browne: The other thing was, that I may have mentioned earlier, the sequence of executive management was usually the chairman of the board became chairman of the executive committee, and filled that

for five years. And then the president would succeed to that position. So they maintained a continuing presence of the chief executives on the executive committee, rather than turning it over to some outside person. Rudy's term got a little bit out of balance because of bringing in Tom Clausen, because he was a younger man and had not had that prior period in the bank. So then they had to shift around a little bit. But at that time, it was usually the other way.

Executive Development

Chall: I want to go back just a moment to Beise. When he was the president, and Coke was also with the bank, Coke said that Clark Beise asked him to look around at the senior officers, and pick those that might be most likely to become bank officers. Among those he picked was Chauncy Medberry.

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Browne: Chauncy Medberry was a loan officer in the Los Angeles main office. He served in various capacities. I worked with him on the trust investment policy committee. He also had a presence in our investment committee. I thought he was a great person. He's retired as chairman of the board, but he had a very penetrating personality. It was very necessary to have someone in Los Angeles speak for the Bank of America in competition with other Los Angeles banks who were headquartered there. And we were headquartered in San Francisco, so Medberry was a great person. We had Louis Lundborg and Jesse Tapp as individuals who had preceded him. But Chauncy was great.

Chall: Did you know whether you were one of those most likely to be on this list?

Browne: Gee, I don't know.

Chall: That would be fun to look up in the archives. But it was interesting, that he was asked by Beise to do that. Beise had a consideration for the future, I guess.

Browne: We had a program underway which slipped from Beise to Peterson to Clausen, and that was executive development. They were trying to do this very thing, to select likely prospects for advancement in the bank, as the future top executives. They were to be put through charm courses. A typical one would be going to the American Institute of Banking. They had a number of courses there. Generally, these were individuals who passed that.

Another one would be to go to graduate schools. One would be Stanford, but the main one was Harvard. They would be there for thirty days in some cases. Sometimes they would be there for a year. And then they could come out--they had a Harvard business school degree, that really wasn't. But that was--

Chall: Special administrative courses, of some kind.

Browne: Yes. Then we had a series of events. They used some of the southern schools for training. We'd have seminars, weekend seminars. And then we were assigned, in my role, half a dozen of this group. I would be the den mother. We would get together socially. They were all invited to communicate with their den mother problems they had, ideas they had, and we in turn were supposed to report back to management on our analysis, evaluation. So I got to know Tom Clausen quite well, and a few others that way.

The Costs of Upward Mobility

Out of my group, I would say about a third of them hung in there and went on. The others kind of disappeared; they didn't always show up that well. It was pretty tough on some of them, because really they were faced with a way of life, a standard of living, that they weren't really set for. It meant that they would have to know how to spend money while making money, and many of them couldn't handle it. They would make mistakes.

Chall: How to spend money?

Browne: You're in the promotion of the bank's business and your own. So it's just like, if you're going to host a dinner party for a group of fifteen, including wives, can you handle it?

Chall: At a certain stage in your move up, and that's you and these people you're talking about, were you expected to be quite social? You said that you weren't paid an awful lot, but these social expenses could be high: liquor, food, whether catered or not. Did you and your wife have a great deal of social responsibility as you went up the ranks?

Browne: True. Typical example, going to a convention. I went to some American bankers' conventions, but I mostly went to investment bankers' conventions. The ABA [American Bankers Association] would have several thousand people, but the IBA [Investment Bankers Association] would have, oh, maybe 1200 people with

different interests, representing different parts of the country. And certainly different personalities. So here you'd be for a week at a convention, and usually in a resort climate, meaning transportation to and from. You'd have to be clothed for all the social activities, the business affairs, and your wife would have to be also. So how do you pay for those things?

Chall: You can't charge clothes to the bank. You can charge your per diem, and if you host a reception in your suite, the Bank of America pays for that?

Browne: That's right. So otherwise, it was a financial burden that many of them couldn't handle. The result was that people weren't representing their organization well, and their wives were at a disadvantage. But we tried to deal with that in a small group meeting that we would have to prepare individuals for that basic responsibility. The other thing of course, which is much the subject today in the press, is men's clubs. Now, country clubs typically are standard, and people do that, particularly in the branch system. I'm not talking about service clubs, but in San Francisco, Los Angeles, San Diego, where you have men's social clubs.

Social Clubs

First of all, consider the ability to become a candidate for a club, let alone being accepted, and then being accepted, being able to pay for it--that privilege, as some would say. It would put you in immediate competition with your friendly competitors across the street. They would make one club, and if you couldn't make it, you'd know you were kind of ostracized.

Chall: Is that right? I noticed that you were in quite a number of these clubs. They're in your record here. In San Francisco, as well as, I guess, Los Angeles. How did you pay for this?

Browne: Well, I can always give you the advice I had: I may have mentioned to you a Roland Pierotti. He was Clark Beise's first assistant, and later became head of the international banking department. Roland was the person who we were supposed to communicate with if we had a problem, and wanted to get outside channels. So we could go to him and tell him our problem. And then he would let Clark Beise, or whoever else was concerned, know about the problem.

One of the problems was becoming a member of these social

clubs. It wasn't a question of having someone put you in a club. You became a potential candidate through your winning personality, your responsibility, and so forth, but then the day came when you were accepted with a congratulatory note, and a statement about what money was due for initiation fee, and then what the monthly dues were, et cetera. It was very high.

And I told Roland Pierotti about this on one occasion, and he looked at me and he said, "You know Alan, I don't think the bank's going to be any help to you on that. You have to make an investment in yourself." I said, "Well, thank you very much, that's what I intend to do." So I did it myself.

What would normally happen is that the individual would get an interest-free loan to pay his initiation fee. Then he could pay off the loan in due course.

Chall: Because the initiation fee was high?

Browne: Oh, yes. You're talking about a few thousand dollars.

Chall: Now, let's see. There's one of the organizations that you did not belong to, the one that has the summer camp--

Browne: Oh, the Bohemian Club.

Chall: The Bohemian Club. I didn't see that on your list.

Browne: No, I was in a very awkward position about the Bohemian Club. Clark Beise asked me about it on an airplane trip. He said, "Aren't you a member of the Bohemian Club, or, do you plan to become a member of the Bohemian Club?" I said, "Clark, you can't win them all. I'm active in Pacific Union Club, among others. It's pretty costly, and so I don't think I'm going to strive." But you see, again the fallacy is that if you belong to each club, you can't have lunch at all those clubs the same day, can you? But again, it's like collecting. You add a few little recognition symbols to your uniform, and that's fine. All my great friends were in the club, but I didn't think it was appropriate.

And then the other thing was that the waiting list was huge. It was hard to get in if you were above a certain age. They wanted young people, they'd be in there longer, pay their dues a longer period of time. The older people they feel would not use the club as much, and therefore it was not as good an investment.

Chall: I never thought about that, hadn't heard about that angle before.

Browne: But there's a great fallacy about what happens in a men's club. There are those that would milk it for whatever they could get out of it, meaning to promote their own self-interest socially. Not business-wise. That's the thing that's missing in --

Chall: Yes, because the women who aspire to be in men's clubs feel that that's where business deals and promotions are made.

Browne: It's really wrong. It's social. Being socially acceptable is more important, I think, for the ego of the individual than it is to put together a good deal. Now, it doesn't mean that you don't meet people, and I'll be frank to say that in many clubs that I've been a guest of or a member of, I've had a chance to talk to innumerable people, and found them extremely interesting. You remember the relationship sometimes, and it comes to pass that you can use that as an introduction.

Chall: Would you meet for lunch with somebody that you wanted to work some kind of a deal with? If you were interested in some bond issue, would you meet, let's say, with an official from the city of San Francisco, San Mateo, anything of this kind--?

Browne: Oh, sure. With someone coming into town, or someone in town, an appropriate place to meet would be a luncheon. One place that I used to a great advantage was the Concordia-Argonaut. Are you familiar with that club?

Chall: Yes.

Browne: I was a member for several years. They just were great friends. Most of the people were the leaders in the cultural community, and there were a lot of politicians. I think I mentioned too, I used to play dominoes with Walter Haas, Senior once a week. I used to see Harry Ross, the controller. I would see Ben Swig, and people of that nature. It was just a very friendly, fun group.

The Social Role

Chall: I would presume that the wives of these officers moving up in the hierarchy were very important. Did you consider the wife at the time you were considering the husband for promotion?

Browne: Yes. We made a real effort to make sure that everyone was comfortable in whatever they were doing. When Betty and I would go to a convention, we had some of our younger associates who

Alan and Betty Browne at home, November 1986.

attended, too. One of our challenges was to help them, in seeing what went on, and what they might be exposed to, and what they should do about it. I think we made better bankers out of them.

Chall: I see. It's almost like the military, where the wife is very important to the movement of the husband.

Browne: That's right. This was extremely important. It was really tragic, though, on occasion when the mixture didn't work. The delightful young people didn't know what to do, and usually would miff it. I would say of my first exposure to an investment bankers' convention early on, that would be in the early 1950s, it was pretty rough. The senior financial community representatives were hard cards. They didn't pay much attention to anyone unless they conformed to their ideals and standards.

Chall: Were they old-world social--?

Browne: If you were not invited to their affair, you're ostracized. And if you were invited, you were expected to perform in an exemplary manner.

Chall: That means that there was protocol, and deciding who sat where around the table?

Browne: That's right. And it was a real grace to be able to mix people up so that they would be comfortable and be good representatives.

Chall: So you and Betty had to learn that?

Browne: That's right.

Chall: She's very adept socially, I feel that; and I guess that comes with time.

Browne: She certainly did a terrific job. We had to arrange any number of social affairs, running from twenty-five or thirty up to several hundred. And sometimes different ones on the same day. Preparing menus, and seating arrangements, entertainment, flowers, the invitations, all of that.

Blending Bank and Civic Duties

Chall: For the bank? Because you were also very active in civic affairs. But I suppose that didn't always include her, unless it was something like the Symphony Society or the Opera Society, it

might have.

Browne: That's right. Too many organizations were derelict. Our biggest challenge was when I was president of the San Francisco Chamber of Commerce, because we were required to participate as guests, and also to entertain, members of the consular corps in San Francisco. We had members of the city and county government, federal and state government, and the financial community, and miscellaneous. So you were always on notice. Just a simple reception at the Officers' Club at the Presidio, you would get an invitation which indicated what your dress was supposed to be.

Chall: Like black tie?

Browne: That's right. And for the members of the military, they were to wear dress uniform. They were the ones that would have to pin on the little miniature medals. Not the ribbons, you know--just the little medals. That's a special degree. They'd have to go through the receiving line, and generally you would be assigned one of the officers to entertain you, and take you around and introduce you to people. And that gets pretty heady.

You go into the consular corps. Not every consular corps representative can entertain, they didn't have the money. But those that could, did it from a public relations standpoint. So there would be intimate little gatherings of twenty-five, up to major receptions, and you would see the same routine, going through the same operation. You would learn the difficulties of dealing with those of Mohammedan or Islamic religion, and their eating habits, their method of dress. All of those niceties would come out.

Chall: It must have been a very interesting experience, all told.

Browne: It really was.

Chall: You must have been out almost every night for dinner, and every day at lunch.

Browne: Well, that was one of the challenges of having the Chamber of Commerce role--you were expected to do this. And as president, I usually had a luncheon reception and dinner, not to mention probably a business meeting, about three times a week.

Chall: When you were president of the Chamber of Commerce, which is not a small matter in San Francisco, how did you handle that and the work in the bank? By this time, of course, you really had some staff, and you were head of the division. But still you had to be watching over the bank's work. How did you manage? Did they

Photograph taken on the occasion of the reception held in honor of His Excellency Mr. G.L. Mehta, Ambassador of India to the United States of America and Mexico and Minister Plenipotentiary to Cuba at the Government of India Tourist Office, San Francisco, on February 7, 1958, hosted by the Manager and Mrs. Sham Singh. Left to right: Mr. G. Ramachandran, First Secretary, Embassy of India, Washington, D.C.; Mr. G.L. Fox, General Manager, San Francisco Chamber of Commerce; Mr. K.B. Lall, Director-General of Foreign Trade and Joint Secretary to the government of India; His Excellency Mr. G.L. Mehta, Ambassador of India to the United States; Mr. Sham Singh, Manager, Government of India Tourist Office, San Francisco; Mr. Alan K. Browne, President, San Francisco Chamber of Commerce.

give you time off?

Browne: Clark Beise was president at the time. I think he was concerned that I wasn't paying enough attention to my duties and responsibilities, and I assured him that my first consideration was to take care of the bank's interest, and that's what I had done.

But, on the other hand, we were also challenged to make sure that we had adequate support and to train people to take on the responsibility. So I said in the process of doing this, I would make sure that I had good representation. So, if I was traveling, and I was going to be in Chicago, someone could get me on the phone; we could talk about it. But if he couldn't get ahold of me, they were empowered to perform in my absence and they could report later; it was a question of time. But I never let the outside activity interfere with my duties at the bank.

Promotions and New Homes

Chall: You were really a busy man. I noticed that you moved from time to time, and I wondered whether your change of address from Millbrae to Burlingame to Hillsborough in a period of about twenty years or so--whether that had anything to do with your move up the ladder from vice president to senior vice president, head of the BISD, where you ended up in Hillsborough.

Browne: It had a direct relationship. Our first post-World War II move was to an apartment in San Francisco, at a point in time when it was almost impossible to get housing. We were concerned about the travel time from downtown San Francisco out to the fog belt; also the neighborhood was becoming a question mark. We wanted more room, and so our first move was down the Peninsula. We searched from San Mateo north to Millbrae, and the home that we bought in Millbrae was a delightful place. It had been finished just before World War II, so it was good construction.

But then we began to outgrow that, and we also had the similar problem of the neighborhood. From there, we moved to Burlingame Hills, which was an unincorporated piece of property between Burlingame and Hillsborough. It was really a large, commodious place, and we really redid it. It's still standing, and I don't think it's in as good condition as when we left it.

Chall: You were there almost eleven years.

Browne: Yes. We had two mothers to take care of, and we also had Betty's nieces, so we had a larger place.

Chall: They were living with you?

Browne: Off and on. So finally, we decided we wanted to get out of the big house and move to Hillsborough. Our place in Hillsborough was a relatively new home in the Uplands Estate, which was one of the Crocker estates on the southeast end of Hillsborough, only a block and a half from A.P. Giannini's home, and about three blocks from Clark Beise's home.

We weren't attracted because of the location. We were looking for a two-bedroom, two-bath facility large enough to enjoy, not be crowded, and this is what we found. In Hillsborough, that's unusual. Most of them have many more bedrooms, and many of the buildings are fairly old. We didn't want that. But we had almost three-quarters of an acre, mostly hillside. Part of the Uplands Estate, which had never been developed. So we had a lot of virgin timber, and things like that.

But, each time we moved, from a financial standpoint prices were up. And so it cost more, and once you were ensconced, it also cost more because taxes and other things were up with it. But we found it was better from an entertaining standpoint, more gracious and more accommodating.

Chall: So you did entertain quite a bit in your home?

Browne: Oh, yes.

Chall: Did many of the senior officers, besides these bank presidents, live on the peninsula?

Browne: Not too many. It was sort of a split. A few lived in San Francisco. Two or three in the Marin County area. Another group would live on the peninsula. Many of them had lived there before being promoted, transferred to the head office of the bank. Now the question was, would they stay there or move into something else? The East Bay was a potential, but I think Rudy Peterson was the only one that decided to live in the East Bay. Louis Lundborg moved over to Marin County. Beise lived in Hillsborough; Clausen lived in Hillsborough.

Chall: It didn't really matter where, but apparently they all had to have good addresses.

Browne: Yes.

Chall: That's an interesting sidelight on the bank, which I think you don't always get. But it's actually not just the bank--it's corporations, isn't it?

Browne: Sure.

Chall: Corporate management style. I wonder if things have changed now that the women don't accept this role as the hostess, and have their own careers, whether that will make a difference in promotions and transfers, or anything of this kind?

Browne: I think it's had some impact. But on the other hand, that's the name of the game. They're all looking for the good things, and that's part of it.

Advancing Through the Hierarchy

Chall: Now, in '66 to '71, you remained senior vice president, head of the BISD, but you reported to the chairman of the board. Who was that?

Browne: Baum Baumhefner. He had become--well, he was vice chairman of the board. Chaunc Medberry was the chairman of the board.

Chall: And you reported to them, to him, in the same way that you used to report to Beise or Peterson? Or was there more involved?

Browne: It was a little more involved. What happened was that when we created the Bank Investment Securities Division, we brought into the new organization that which had been the former Bond Investment Department, Municipal Bond Department, and we brought in some of the activities which involved the cashier's department, and some that were in the International Department, to consolidate securities activities. Baumhefner was very concerned about losing any prestigious role. He was having to give up something. I was going to be the one who became the recipient.

Chall: He was giving up what?

Browne: His cashier's department, and the money position and so forth. Because he had had his hand on that, which is the old government bond operation. So we sat down in Rudy Peterson's office, and Peterson made the decision. He said, "All right, you go ahead and do this." He pointed at Baumhefner and said, "He will report to you, but you better be sure that your decisions support his."

And Baumhefner never liked that. It became a continual problem, because he was so desperate to become president of the bank. His vision was something else again. He and Samuel Stewart were competing for the top role. Sam became the senior vice chairman of the board. He's the one that used to be the bank's general counsel, and has had some publicity because of Davies Hall.

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Chall: Is there a movement from senior vice president to the board? How do people get on the board? It looks as if some employees, staff members at the senior level, went on to the board. Some of them did and some of them didn't. What was the movement?

Browne: Well, there were several ways in which you advanced in management. One was the managing committee, which is something the Gianninis had founded to act for them in day-to-day operations of the bank. Then there were policy committees. One was investment, one was money, and one was loan.

Then, the question of going on the board. Now, there was the outside director/inside director concern. The bank originally had so many inside directors that the outside directors were being outvoted by inside functions. So they couldn't really perform in the strict sense of the word. I used to get some of this from my classmate and longtime friend, Garret McEnerney, who was one of the outside directors.

But those that usually went on the board from the staff had to have key roles. They held the role of chairman of the board, and the vice chairman as the case may be, being bank officers, not outside officers. It was hard to get there, but frequently it was a panacea. Say, a person didn't make it to the front office, they could make him vice chairman of the board. Sort of a compensation. And that was the case with both Baumhefner and Sam Stewart. They were trying so hard for the presidency.

But not too many others would get to it. Now they seem to have a few more, because they've created a whole new chapter of executive vice presidents and vice chairmen. At one time, it was a very small group. For instance, I was the youngest vice president when I was promoted to that position in 1952. There weren't too many. And then, meanwhile, when I became a senior vice president [1966], there were only really about a handful. Now, it's been negated by infiltration and dilution. So the title doesn't have the same impact; it's a question as to what your responsibilities were.

Chall: When A.P. Giannini set up this management committee, on it he had both Beise and Wente. Both of them ultimately became president.

There were ten members of that committee, but that didn't necessarily mean that that was the route from there on?

Browne: No.

Chall: Was Peterson ever on that?

Browne: Oh, yes. That's one of the first things that he was exposed to when he came back from Hawaii.

Special Committees Related to Investment Policies

The Trust Investment Policy Committee

Chall: During your years as head of the Bank Investment Securities Division, you then went on to several special committees. Could you tell me a little bit about them? You were a member of the Trust Investment Policy Committee of the parent bank, parent bank meaning what?

Browne: Bank of America.

Chall: You have written, "The committee is responsible for developing trust investment policy for the Trust Department and supervision of its pooled funds. Trust assets exceeded $9 billion. Accountable to the Trust Committee of the Board of Directors."[1] What did that mean, in terms of trust investment policy? The policy had to be set by this committee?

Browne: Yes. There was an evolutionary process in the bank's trust investments. At one time, the Trust Department had a simple process of reviewing the assets of the various trusts. The committee would have recommendations before it from the staff, for the purchase or sale of various and sundry securities. The bank typically had a great many very small trusts, so this was a burdensome job, and it really wasn't being properly worked out.

One of the simple things was when you had some kind of veteran trust, the best they could do was just to buy a class E bond. There's no administration required to it. So the theory was to separate the more responsible role of setting policies. So setting policy meant whether you were going to put more money

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[1]Alan K. Browne Biographical Information and Related Reference Data, p. 1. February 1972.

into stocks, as compared to bonds or vice versa; how much you would keep in cash.

And then you would get into recommendations as to whether you were going to buy or sell Standard Oil of California, or PG&E. The theory of course was you had to make your best decision, but when you had directors of the bank who were also officers and directors of one of these organizations, you had another question mark.

The other side was, the bank was growing in terms of pooled funds. These were pension funds, primarily, profit-sharing funds. The policy was to make decisions on those particular funds. So this was the major investment function for the trust.

Chall: Now the Trust Department couldn't make decisions on its own?

Browne: They were delegated authority up to a point. There was a trust and investment committee of the board of directors who were supposed to review these activities, and see whether they were adhering to the basic policy. They could do it, they were delegated; but the question was were they qualified, in terms of their decision-making?

Chall: How often did your policy committee meet?

Browne: Basically, it was once a month. But on occasion, it was even more frequently.

Chall: But the Trust Department wanted you to--?

Browne: Sure. Any time, they could just call a meeting.

Chall: Who was on that committee?

Browne: I can't tell you more than they were the senior officers of the bank. Sam Stewart was generally the chairman, because he was head of the Trust Department at the time. Chaunc Medberry was on it; he was chairman of the board. And a scattering of other people; I can't remember all of them. There were people from the Trust Department, too.

Chall: You would then set the policy which the trust department would follow?

Browne: True.

Chall: Within that policy, they could do what they wanted? But you had to set the policy?

Browne: Well, they frequently could recommend the policy, and then we could approve, or alter as the case may be. We relied on them to use their good judgment, because they were in touch with the securities industry. They were getting reports on various corporations, and they were supposed to have contact with economists, so they'd know what the outlook for interest rates might be. Out of that, we would come up with our fine-tuning decision-making.

Chall: Primarily, then, were they dealing in corporate securities, rather than the municipal bonds?

Browne: Mostly corporate securities.

Chall: So that's different from what you were doing?

Browne: That's right. Getting into the pooled fund--we did have municipal bond funds in addition. So we were into that.

Chall: The head of the Trust Department has a major responsibility, too, because he's dealing with people's money. It isn't the bank's money.

Browne: It's a fiduciary role.

Chall: That means that not only does he have to be very honest and concerned, but I would guess that one would need to rely on outside help.

Browne: The main thing was wanting to make sure they had that kind of a contact, in order to come up with a decision. One of the challenges, and it still continues to be a challenge--well, go back to PG&E. If you want to buy PG&E because it was recommended to you, and you go through the process of approving that, and then you say, "We're going to buy PG&E," well everyone else is in the market buying PG&E, so you miss the market. You have to have a perception in order to make sure that your decision-making is not caught up in a lot of red tape.

Chall: I see. That must mean that the department has security analysts and people who know the market.

Browne: True. And that was a problem at the time, that the analysts were not as effective as the competitors'. They just didn't pay them enough.

Chall: It's back to that again.

Browne: That's right. Because when I was on Wall Street, that was one

thing that we found out very quickly: analysts have a price, and in order to get their input, you have to pay it.

Chall: Nowadays, there may be quite a number of them out of work, but in those days that wasn't true.

Browne: That's right.

The Money Policy Committee

Chall: In '71, you were the chairman of the Bank Investment Securities Committee of the Money Policy Committee. So maybe we should talk about the Money Policy Committee. What was that committee?

Browne: That was a committee that was established, I think because it was a mover that had been made by some of the money market banks in New York. I think the idea caught on. Money Policy Committee was to establish the global use of money of the bank. In other words, we'd get deposits, make loans and investments. And setting the policy for that. And we were going through a period which was tricky, because this was when so much of the OPEC [Organization of Petroleum Exporting Countries] money was flowing into the marketplace. It had a big impact on banking, and how best to corral that and put it to effective use.

So we were in that position, and we were all supposed to be looking at new ways of putting the bank's money to work in profitable activities. Part of the holding company's shopping list.

Chall: That meant loans?

Browne: Yes, meaning loans. A variety of things. In other words, there was always the chance to try something new, which seemed to be appropriate at the time.

Chall: Who was on that committee?

Browne: Again, it was the senior management of the bank.

Chall: Same people?

Browne: No. There was a different mix. The trust people had a few more of their type on the trust committee. On our committee, they were essentially the senior loan people. I was the only investment person, and Lee Prussia.

Chall: Is this the period when the Bank of America made some major loans to South American countries and other places where they later proved not to be good?

Browne: As I recall the activity at the time, the bank was aggressive in the Latin American loan field. One in particular of course was Mexico. Brazil, Argentina--

Chall: The ones that have now defaulted?

Browne: Right.

Chall: Well, how was one to know? You were sitting on that committee at that time. Do you recall any concern about these loans, about the stability of these countries?

Browne: No. They were supposed to have various tools. One of them of course was an economic impact report. Another, which was very important, was to know the legality of the commitment in terms of protecting your investment. The collateral that was involved in it. The political structure of the country. Now, these are things that were all supposed to be batted out in subsidiary committees. So all that you would have before you would be a summation, and presumably all the information had been answered.

Chall: If you weren't sure by the time that it all got to you, if the committee still had some doubts, then you'd say, "Go back and do a little more work"?

Browne: That's right. And frequently, the people who were most adept at the foreign banking role were the ones who were getting the most attention. They weren't individuals who might have said "No." These people who were aggressively seeking out the business. And I guess the question would be, what makes an international banker?

Chall: Would you say it was a learning experience for the Bank of America?

Browne: Oh, yes.

Chall: Not the only bank that got caught up in this, but the Bank of America became heavily in debt to these countries, more so than others, I think.

Browne: That's right. They were trying to follow the lead, and then be the leader. I don't think that they were completely prepared. I've talked with many of our international bankers, and a high percentage of the gifted individuals had worked for other foreign

banks, and many of them came from foreign banks. They were not American citizens. So they had more experience. For years the British banks in particular were extremely well oriented when it came to foreign loans. We didn't have that expertise.

Chall: Do you think that part of the reason for going out after these loans was because you had so much money from, let's say, OPEC?

Browne: That was one of the factors.

Chall: More money than you'd ever had before. You felt confident about loaning it out and getting it back?

Browne: Yes, I think that was true. Because I went through a period in which the major challenge was to find money. That became a different story once the OPEC money began to show. But when you think of the third world countries where their debt far exceeds their gross national product, and their ability to find any adequate income, it is something else.

Chall: It's a really sad story.

Browne: My personal experience always was dealing with one small part of that pie, and that was the Commonwealth of Puerto Rico. This was financing by tax-exempt securities. There wasn't really much money being loaned in Puerto Rico on the corporate side.

The Bank Investment Securities Committee and Managing the BISD

Chall: Now, on this Money Policy Committee, you were the chairman of the Bank Investment Securities Committee. Was that a different role than what you were doing managing your department?

Browne: Well, you see what they did. We had the investment function in a committee, and previously we had been reporting to the senior loan committee of the board of directors. But then they moved it, so that we were reporting to the Money Policy Committee. So it just moved us under another heading.

Chall: Who sat on that committee? Still the chairman of the board?

Browne: Yes. And then we'd have a few from the Investment Department.

Chall: Was there any question about what you were doing?

Browne: Yes, there was always a question mark. The minutes of the

meeting would be read, and frequently the cashier of the bank wanted to write the minutes before the meeting was held, which I objected to strenuously.

Chall: [laughs] I would think so. So he assumed then that they were just going to rubber-stamp whatever was brought in?

Browne: Yes. I tried, and I did--I revised the reporting, so that we had a much better picture. As a matter of fact, from day one, I was always revising some report to provide more information or whatever for the channels of command that I would be exposed to.

Chall: In those days, '70-'71, there was a great deal of municipal bond activity.

Browne: Yes.

Chall: Well of course, you were dealing with more than municipal bonds by this time. Your entire BISD was dealing with the portfolios of municipal bonds and government bonds. You couldn't deal in corporate.

Browne: No. What we were attempting to do was to run an investment banking function, which meant underwriting and dealing in securities. The other was trading in securities. The third one, particularly in the government bond area, we were entering into the weekly auctions of treasury bills. We were dealing with the quarterly refinancing needs of the federal government, and we were dealing with approximately the same timing on all the federal agencies. So we had to submit bids for these securities, and trade in them. We traded for them nationally or internationally, as the case may have been. So there was a lot of money involved, because these new issues that come out from the treasury department are usually in terms of billions. You make a decision what you want to subscribe for, and what you're going to do with them, should you buy them? Are you going to invest, or are you going to trade?

Chall: Investing means for the bank's portfolio, and trading means to get them out in the hands of other people?

Browne: True.

Chall: Your department must have been getting quite large.

Browne: We were utilizing more computer technique. And we were also faced with the two-pronged head: one was handling the securities physically, and two was, as the cashier's function, evidencing

the transaction and the notification to where we should receive it. So your paperwork on the cashier's side was going up, the custodianship responsibility was growing, and the question was where would you domicile your securities? We had two major vaults, one in San Francisco and one in Los Angeles. We used the facilities of the Federal Reserve Bank, but we did not have adequate storage capacity in New York, so we used the correspondent bank routine. So we had the Manufacturers Hanover, Chase, Citicorp, so forth; we used their facilities.

Chall: You had to rent from them?

Browne: Yes. Sometimes we did it on a reciprocity basis. But again, you had to check it out every day and move your money around, because sometimes we would be short. People were withdrawing funds and they hadn't covered it, so there were a lot of headaches involved there.

Chall: Is the bank allowed to deal on margin and that sort of thing?

Browne: No. In one way they can now; in the municipal bond and government bond market, to cover your positions you can deal in auctions, futures, interest rate futures. And some banks have been caught, particularly when they've been dealing overseas. But you have to be <u>sure</u> that you know what you're doing.

A Bit of History: Selling at Auction and the Seance

Chall: That's a real challenge. At one time, I think when we were just visiting, you were telling me about selling at auction, and I remember that you said that you had a seance in the treasurer's office [laughs]. I noted it down because it sounded so interesting. Tell me about the seance in the treasurer's office for bonds at auction. Now that may have been in the early days--

Browne: Yes, in the early days. That was primarily one Charles, otherwise known as Guts Johnson. He was a fabulous individual, and he just loved to have these auctions. That was the way the statutes worked. We changed them in due course.

But when they usually sold bonds, they had a pre-fixed rate of interest. They were invariably already printed, so they were there. So what you did is to attend this meeting, and Guts would call for bids on the bonds. And you had to have bid par and a premium. The early days, the fixed-rate coupon was what you started with. And so you just bid a premium, and then ultimately the person who was willing to pay the highest premium bought the

bonds.

Then later on, when they could change it, you'd bid up to a certain point and then you would drop down. So you'd start with a lower interest rate, and then work up from there. And then when there was a point in time where they would call a recess, everyone would rush to their respective phones because they were acting for others, and report what was going on, and see how much more they should bid for whatever issue they were looking at. During this period, we'd just have to have a seance to decide exactly what we were going to do. We had to read the competitors, because frequently they were bluffing. They could cause you to pay a lot more money for a bond issue by bluffing you.

Sometimes, you'd just get going and going, and then you'd change your bid. So it was a poker game, and it was kind of a challenge.

The Municipal Financial Consulting Department

Chall: In your bank chronology, dated 1969, you say that the "BISD established a Municipal Financial Consulting Department. It was the first California bank to do so and was the first to provide a broad range of services. Prior to this, a few New England banks provided an agency type service for local units of government on a limited basis."[1] What was that? You acquired Stone and Youngberg Municipal Financing Consultants.

Browne: Well, no, we tried to. My idea was this was another service the bank could perform. Take the city of Walnut Creek. We would offer to advise them how to set up a bond issue. You could help them go through an election. You could go through that, and you could go through the bond sale. It would be a service for which fees would be paid. Sometimes there would be some benefits in terms of public deposits.

But we were trying to provide this service, because it was obviously the coming thing, and today it's big business. So to set up these bond issues, particularly because they were mostly negotiated, you have to have a very professional staff--engineers, accountants, attorneys, and economists--to do the work and produce the end result. So this was where you produce "red herrings". I've got a lot of red herrings, any time you want to look at one and see what they do.

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[1]Morgan letter, chronology, pp. 8-9.

We were very fortunate at the time, but I couldn't get support for the expansion of the activity. I wanted to acquire two or three small firms and bring them in as a group. My friend Arthur McLuddy [?] was the individual who was in charge of that. He's the one that pursued it, did a good job.

Chall: But it wasn't done during your time?

Browne: Well, it was being done during my time. I started it, and it's carried on from there. We did other things. We provided ratings on municipal bonds, we produced circulars, and reports, and whatever.

The Daily Quote Sheet

Chall: In the seventies, you claimed that "a bottleneck had developed in producing daily quote sheets for use in branches and for customers, as the number of issues multiplied. The bank was the leader in developing a computer solution which speeded up delivery while making the necessary daily adjustments."[1] That's in terms of government bond quote sheets?

Browne: That's right. What we tried to do is provide each branch with a quote sheet where they could buy or sell any security on the list to a customer. And it was adjusted daily, so that the price would be there. They'd have to check in under certain conditions, but otherwise they could make their transactions right from that sheet.

But it was very cumbersome. So we got into the computer world. We had a daily run-off of this on a computerized basis, and we could distribute it to every branch in the system.

Chall: Every now and then I get a notification from the Bank of America about municipal or state government bonds that come out, sometimes without any information as to the interest rate. Sometimes there is some information on the interest rate, it just depends. I guess it's up to the individual to call the person in the bank.

Browne: That's what they probably do. Sometimes they'll call you if they feel you have an interest, but generally they're trying to let you know that if you are interested, this is what you should do.

Chall: I have called occasionally and found out that the issues have all

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[1]Morgan letter, chronology, p. 5.

been sold.

Browne: Well, one of the things that bothered me in this evolution of the bank's investment function, because of the Glass-Steagall Banking Act, banks could not deal in corporate securities. They could handle orders as an agent for a fee, but they could not deal in them.

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It is dangerous to let untrained or uninformed people deal with the investing public on something they don't know. Where will they get their training? Actually, the bank provided no training. The only way you had any training at all was to go outside and secure by employment someone who worked for another organization where they'd had that experience.

Chall: So really, when you call into the Bank of America, the person whose name is on the sheet is really simply giving you the information.

Browne: They're order-takers.

Chall: Like the people at Schwab?

Browne: True. It's been a long time since you could get capable investment advice through that kind of a mechanism.

Just to touch a point: on the other side is that if they are effective, they are going to call the so-called informed and sophisticated institutional investor. See: "We have so many of this," and, "It's fine, I'll take whatever it is." You don't have to sell them. It's the availability, and you have it. But that doesn't require great knowledge, just having the securities. And that's the other side. But if they're dealing with people who really need investment advice, they have to be well trained.

Topics Developed in Speeches to Groups Outside the Bank

Chall: Now, in terms of your work at the bank in the investment area, I have studied several of your speeches. In 1961, you spoke before the finance officers in the municipal finance field.[1] I noticed that you usually developed your speeches in accord with your audience. You told this group that communities must invest in their banks. It affects the bank's loan policies, and their own

[1]"Problems in Municipal Debt Financing Today." May 22, 1961, in Municipal Finance, Vol. 34, No. 1, pp. 7-12.

purchase of municipal bonds. Did you consider this an educational process?

Browne: I thought it was. The idea that banks were just competing for bond issues because it was a nice idea wasn't the complete story. One of the sources of bank revenue is the interest on the exempt securities, and also the use of the securities to secure public deposits as collateral. I thought it was very important that political entities should realize that if they don't keep money flowing into the banks, the banks aren't going to invest.

There were so many instances where they just didn't realize that. And at the point in time, banks were probably the major holders of state and municipal bonds in the United States, as a group. It's varied accordingly, and it's affected by changes in the tax laws. But at that time it was big. As the volume of financing increased, someone had to make sure they had the investment money.

Chall: There must have been quite a bit of competition. Even if municipalities and state government wanted to invest in the bank, there would be tremendous competition: the Bank of America, and Wells Fargo, and Crocker, to name just a few.

Browne: They are always competing.

Chall: Do the finance officers of the local and state governments have to decide how to parcel this out? Do they do it on a percentage basis, or, this year you will get x and next year x will go to someone else?

Browne: I think they have their own game. Generally, they try to get the best return for the taxpayers. The other thing of course is: if you do me a favor, I'll do you a favor--benefits us both. Sometimes, when you have a real problem area, you need someone to really come to you for help.

Chall: In terms of investing, would they come to you, or would they go to somebody else at the bank? You bought the bonds, but who took care of the rest of it?

Browne: We'd have a sales function to do that. Generally, the sales department would be contacting the institutions.

Chall: About investing?

Browne: That's right. They would normally do it, and of course they were doing it all over the United States. So they'd have a list of those who were normal and expected prospects.

Chall: In 1963 you spoke before the annual conference of United States

Conference of Mayors in Honolulu.[1] You were discussing with them the fact that the Investment Bankers Association's committee for public education and municipal securities was dedicated to broadening the market for municipal bonds. You made a point about the need for training investment personnel on how to sell municipal bonds, informing people of their role in municipal finance, educating public officials, and extolling the virtues of municipal bonds to potential investors, advertising lectures etc. I always thought that municipal bonds were simply bought and sold, and there was no problem about getting them out.

Browne: Well, there were really some problems. We were constantly working on broadening the market for state and municipal bonds, because the volume had increased. The availability of an investment dollar had to be considered. I thought again, the financial community, particularly that which was made up of state and local officials, should be aware of it, and not to take it for granted.

Chall: I see. In 1963--I don't know what was happening in the market at that time--but people may not have even considered municipal bonds as an investment, as they do now.

Browne: That's right. And we were certainly trying. Of course, that speech was a rather historic one.

Chall: Oh, yes? Why was that?

Browne: Well, I was the key speaker on this occasion, and I was bumped by the president of the United States.

Chall: Who was then--?

Browne: John F. Kennedy.

Chall: On June 12, 1963.

Browne: I was asked if I'd mind putting myself aside to speak the following day. I said no, I certainly didn't object to that. So Betty and I sat through this. It was in the--I guess they call it the Long Barn at Hawaiian Village. We listened to Jack speak. And as a matter of fact, he made several points, and I incorporated some of them into my speech.

Chall: Do you recall what they were?

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[1]"Financing Local Government," June 12, 1963.

Browne: No, I can't tell you specifically. But one incident took place which was very frightening. This was a huge gathering of people, and Betty and I decided we were going to get out of this place. So we walked out, came around on the outside where the road approach to the hall was crowded with people. I had a little instamatic camera with me. Shortly thereafter, the motorcade came by with JFK, and all these little Hawaiian people were all around him and the security people were all around him. I stood there, and I had a white linen jacket on, and I looked up at the president and I held up my instamatic and took a picture.

And that man froze. He looked like he was going to be killed.

Chall: He was that fearful?

Browne: Oh, yes. And I was so shocked by this, I put my camera under my arm and I just put a grin on and I waved my arm at him. He recovered, and shortly thereafter of course he was assassinated. But I can never forget that.

Chall: The fear was already there. Of course, you were tall and stood out over the crowd, I'm sure.

Browne: That's right. I could be seen. The secret service people didn't seem to be concerned, but he was, he really was. So I can remember that, as part of that convention.

Chall: But the fact that as he spoke he made statements that you then utilized indicated that he was on top of the situation for this particular group.

Browne: Maybe my file in which I have the material may have either a copy of his remarks, or changes that I made. Because I did that. I got back to the hotel and started making changes. One of the challenges too was to have appropriate publicity, and our advertising agents were the ones that usually did that. Somebody would see that all the newspapers would have a copy of the speech. So my remarks were recorded rather widely as a result of it.

Chall: Probably in the Hawaiian press.

Browne: New York press.

Tax Exemption for State and Local Bonds

Chall: Now, in 1969, according to one of your speeches, you were concerned--as you were almost all the time--that the bond market was in trouble, because you were required to supply an unprecedented amount of capital for all the bonds that were coming out to finance the programs.[1] But the real concern again was that tax exemption was under fire. What was the rationale behind the federal government's consideration of tax exemption of municipal securities?

Browne: We always ran into a swinging door in Washington. We would have, let's say, support from the administration--maybe the Federal Reserve, maybe the Treasury Department--but we could never compete with staff, and generally the staff--I'm using that term for the bureaucracy--were always concerned about tax exemption. They felt there was no tax exemption after passage of the Thirteenth Amendment. And therefore, any exemption is wrong. So they were constantly trying to undercut it by legislation. Bills would be introduced, regulations would be rewritten. We were always faced with it.

And then the old guard, the constitutional authorities in the legal profession who believed in the constitutional approach, were on the other side. So we were in this battle.

Chall: What did that mean?

Browne: They just said that if there's going to be any change in the tax exemption, it should be done by constitutional amendment. It was the separation of powers between the federal government and the state and local government, and one of them involved this matter of taxation. So that was where the battle ground was.

Chall: The federal government doesn't tax state and municipal--?

Browne: That's right. I can't give you the exact wording.

Chall: That comes as a result of the separation of powers?

Browne: That's right.

Chall: That's where the so-called legality of it is. So that if you were to take away the exemption, then that would require a constitutional amendment?

Browne: That was the approach, we said. If you're going to do it--

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[1]"Whither the Municipal Bond Market," May 26, 1969.

THE NEW YORK TIMES, SUNDAY, AUGUST 17, 1969

Personality:

Expert on Bond Market Sees Vast Changes

By JOHN H. ALLAN

The traditional way states and cities pay for highways and schools and such necessities may soon be changed drastically. As Alan K. Browne, a man who has been instrumental is raising almost $10-billion for such needs since World War II, sees it, "The municipal bond market, quite simply, is in trouble."

Mr. Browne, a vigorous, voluble, white-maned 59-year-old senior vice president of the Bank of America, is now considered the dean of the tax-exempt bond business. And he is deeply concerned with the direction this part of the capital market is moving.

"The problems are basic," he says. "State and municipal borrowers require us to supply an unprecedented amount of capital to finance their programs. Money is tight. The competition for available funds is fierce, and straight-debt instruments as investments are currently in disfavor. Tax-exemption, our traditional investment lure, is under fire."

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Unless something is done, he warns, "the tax-exempt bond as a major debt tool may soon be a curiosity. In its place, bearing a Federal guarantee, will be a taxable municipal bond funded or subsidized by the United States Government." That would be bad on several counts, Mr. Browne contends, mentioning the need for a "costly bureaucracy" and a danger of Federal intervention in local affairs, among other "extremely grave defects."

Mr. Browne's credentials for speaking out on local government financial matters are impressive. He is head of the Bank of America's investment securities division, which oversees holdings of some $2.24-billion of local government bonds—the biggest such portfolio in the country. Last year, Mr. Browne's division headed groups of banks and investment concerns that handled 275 new tax-exempt bond issues totaling more than $1.01-billion.

This year, the Bank of America has managed somewhat less local financing because California bond issues have largely been priced out of the market by rate ceilings. It has purchased more than $50-million of school bond issues, however, even though their interest rate was well below similar bonds sold outside California.

Mr. Browne's basic assignment is to find money for cities, towns, counties, local authorities and states to pay for such things as new schools, high-speed transit systems, water supplies, sewage disposal systems, sports stadiums. Such projects last a long time, so they can be financed by selling long-term bonds that can be paid off over many years.

In raising this money, he must also help increase the earnings of the Bank of America.

The New York Times

Alan K. Browne, senior vice president of the Bank of America and dean of tax-exempt bond business.

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Last year, local governments sold some $16-billion of tax-exempt bonds, bringing to $130-billion the volume now outstanding. It's a gigantic business, and it pays for a lot of schools and streets.

What kind of a man becomes influential in this basic work? What road does he follow to become an eminent figure in this rather esoteric financial field?

He grew up not far from his 10th-floor office in the new Bank of America headquarters tower in downtown San Francisco. Born 59 years ago in Alameda across the bay, he went to public school there and in Berkeley. His father was a mining engineer and his father's father, an early consul in Japan.

He enrolled in the University of California, starting as a physics major and winding up in economics, class of 1929. At the university, he was a 220-pound tackle for the Golden Bears, a weight he maintains now by swimming and by grubbing out the poison oak behind his suburban home south of San Francisco.

In the summer after college, he went to work for Robert Sproul, controller of the University of California and brother of Alan Sproul, the influential president of the New York Federal Reserve Bank until 1956. In this job, Mr. Browne met the university regents—such men as W. H. Crocker and Mortimer Fleishhacker, two of San Francisco's leading bankers. He acquired a taste for Montgomery Street, the West's Wall Street.

Late in 1929 after a short spell with a San Francisco Mining Exchange firm, Mr. Browne joined the bond department of the Bank of Italy as an "office boy, messenger, runner, you-name-it" at $70 a month.

A year later, the Bank of Italy and the Bank of America of California, two A. P. Giannini banks, became one operation that by late 1945 was the world's largest bank. Through the nineteen-thirties Mr. Browne worked his way through the bond department from runner to clerk to trader to cashier to analyst to administrator.

By 1941 he was assistant manager of the Bank of America's municipal bond department just as it moved into new quarters on Dec. 8—the day after Pearl Harbor. Everyone seemed to be selling Philippine Commonwealth, Hawaii Territory and West Coast bonds. "We decided to do a job and make bids," Mr. Browne said recently, recalling a decision that caused substantial short-term losses early in the war.

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During World War II, he worked in Newark, N. J., helping to disburse $250-million a month from the Office of Dependents Benefits and came out a major. Back at the bank, an assistant vice president, he faced a huge backlog of local government financing needs, especially in rapidly growing California where so many servicemen and defense plant workers decided to stay.

By 1952, he was a vice president, at 43 the youngest in the bank. Four years later, he headed the municipal bond department.

Before World War II, California bond sales were managed by Eastern banks; after the war, Mr. Browne helped change that. By the late nineteen-fifties, Bank of America headed the one syndicate that bid for the state's bonds, a practice the investment banker says did "a better job" than more highly competitive bidding in view of the state's huge volume of financing.

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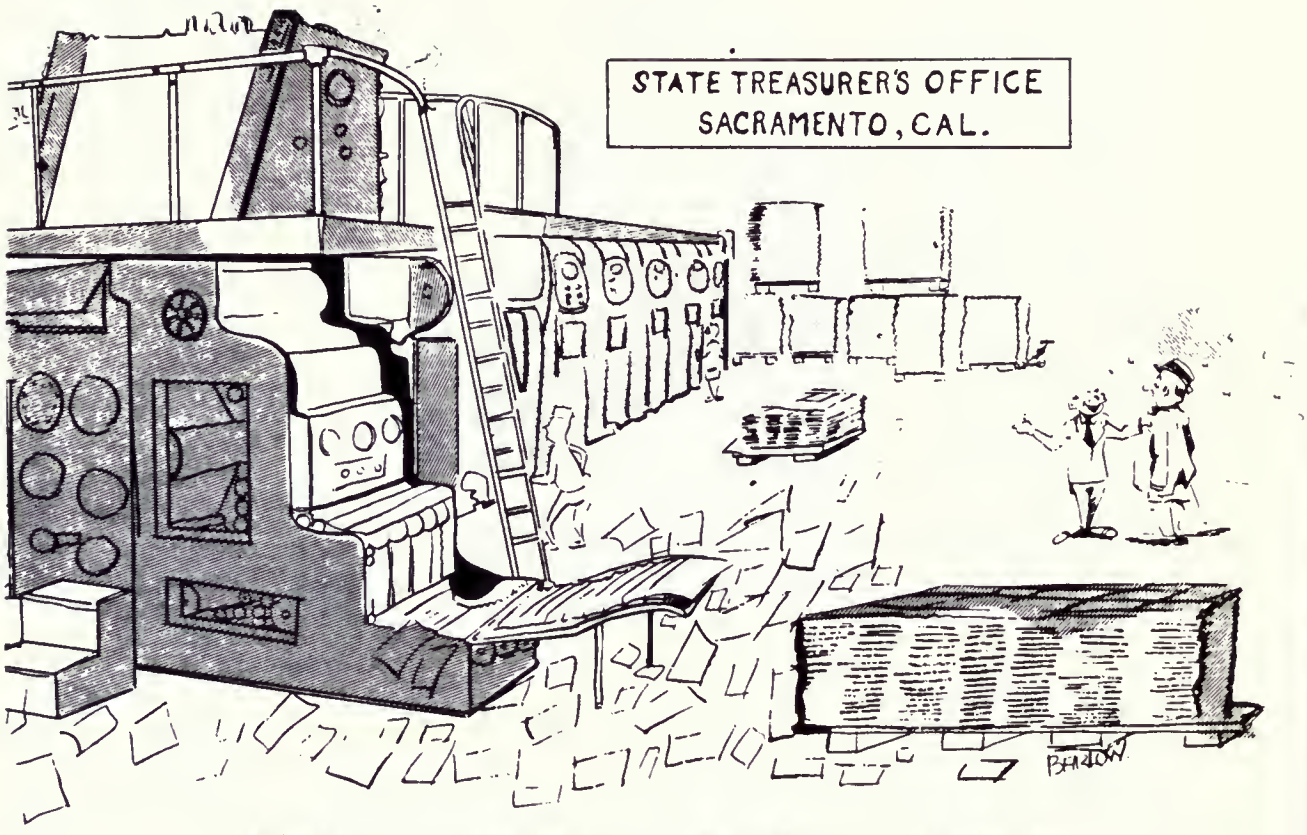
"Then we had our friend Bill Morris," Mr. Browne comments wryly, speaking of the Wall Street maverick who in the early nineteen-sixties snatched $100-million of California bonds out from under the Bank of America's nose and restored competitive bidding. In retrospect, Mr. Browne accepts this chapter of bond-market history philosophically. "Syndicates should always be living, breathing things—not dead horses," he remarked.

Since 1966, Mr. Browne has been senior vice president of the bank, in charge not only of tax-exempt bonds but also of Treasury securities, Federal agency financing, bankers acceptances and commercial paper.

Last Tuesday in Juneau, Alaska announced that it had picked the Bank of America to act as investment manager for the proceeds of the state's Sept. 10 sale of Arctic Slope oil leases—expected to exceed $1-billion. Mr. Browne's division will carry out the assignment.



As I see it, Mr. Browne, we're printing them faster than you can sell them.

The Daily Bond Crier

June 10, 1960

Chall: That was the bankers' approach?

Browne: Right. Now, you see the Supreme Court just recently came down with a decision which in effect said you can tax municipal bonds. But then again, it's not clear as to how it would be applied, and there's some question as to whether it is finite enough. But this was on and on, and it would affect the market. People wouldn't know whether if this would happen, would it be retroactive against all the securities we own?

Chall: This was true again in 1986.

Browne: I feel that currently the battle to preserve tax immunity, which is a term frequently used, hasn't been strong enough. We used to fight on the barricades on these things. I haven't found people in the investment business really being leaders in fighting for the benefits of their profession.

Chall: How do the state and municipal governments think that they can deal with this? There is a rationale for having tax exemption. I think they sell their securities better, don't they?

Browne: That's right.

Chall: But if they aren't exempt, then what? How would they be sold?

Browne: They have to pay a premium over and above the going rate. And there are taxable municipal bonds outstanding now that have a higher rate of return than government securities which are also taxable. But we just felt that if they didn't realize what they were involved in, they would pay a penalty.

Unfortunately, many political entities were playing a game. They continued to bring forth bond issues which were not--we used to say--issued for a public purpose. That again was one of the basic principles. You have to issue bonds for a public purpose, and what is a public purpose? Well, some of the things are like, financing an Atlantic City gambling deal. That would not be a public purpose.

Chall: Those are taxed now, aren't they?

Browne: Yes. So these are the kinds of question marks, but local government doesn't want to handle it. If they wanted to spend money, they would do it without regard to the impact.

There were other things that were coming out. There was a lot of air pollution control financing, which brought out a lot of securities. There was a period of time when people were

trying to come up with new freeways. That was a big item. Local housing became another, and mortgage financing. All of these issues. Just billions of dollars were in the market. So you try to maintain at least a very clear and shall I say pure approach. But people don't do it.

Chall: In '69, I guess the federal government was thinking in terms of an urban development bank, governed by a seventeen-member board empowered to make up to forty-year loans to states of taxable securities. You felt that was the wrong approach.

Browne: Well, there have been a number of municipal bond banks formed by various states. They issue their own securities. It's sort of an arbitrage arrangement. They buy the issues of local entities, small cities and school districts. They feel that they'll have the benefit of a bigger credit base than the small ones. But when the federal government wanted to get into this sort of thing, then they were invading the role of state and local government.

Chall: Was that fought?

Browne: Yes.

Chall: That didn't go very far?

Browne: No.

Chall: You claimed in your speech (1969) that the need to meet local financial requirements to preserve the tax exemption and limit federal involvement, was to promote maximum participation by private enterprises. What do you mean by private enterprise, in terms of getting enough funding--enough money to supply the funds for local governments? Did you mean pooled funds from pensions, or what?

Browne: Well, that was one of the major approaches--was to make sure that private enterprise was willing to recognize the need to support, and in turn invest in local development. But not to misuse it. That was what happened with pollution control financing. Take Standard Oil. They have a refinery; they're polluting the air. They're told they have to correct it so that it will be reduced or eliminated. They don't want to issue securities against Standard Oil, so they form an air pollution control district with Alameda and Contra Costa counties. And they in turn issue the securities; it's tax-exempt, and they get the benefit. We get a lower rate of interest. It's not on their balance sheet, that sort of thing. So these are the areas that were of concern.

Chall: Very innovative, shall we say.

Browne: Oh, yes. There's nothing that the good mind hasn't thought up that won't be tried.

The Banks and Revenue Bonds

Chall: Now, the other subject in which you were continually at work, in this case trying to promote, was permitting the banks to deal with revenue bonds. I gathered from your speech that there were no basic legal reasons in terms of historical rationale why the banks couldn't deal in revenue bonds. So, what was the reason why the federal government refused this over such a long period of time? Was it competition with the investment groups, securities dealers?

Browne: Right. The idea of course was that the Treasury Department would feel that they were losing tax dollars by this innovation of revenue bonds. The dealers were fighting for keeping the banks out of this business, it was a monopoly. They, by virtue of the interpretation of the Glass-Steagall Banking Act, they had no competition. They didn't want it. They were working their side of the street, banks were working their side of the street, local government and state government were working in it too. The reason we did not have success was because it bogged down in Congress. The advocates that were involved in this, the lobbyists so to speak, were well paid, and their activities went on for years and years and years. And a lot of economists were employed, a lot of statistical agencies were employed to do this, so an awful lot of money had been poured into this. With the result, it just constantly would hang up.

But, over a period of time, there were some minor amendments to the basic act which permitted banks to deal in some facets, but not entirely all. And it's been like this a long time.

So we felt this was important, something that should be fought for, and that it would be profitable if the power was approved. I can't say I didn't enjoy going to Washington and appearing in these hearings and dealing with the difficulties that were being exposed. I met an awful lot of people, and I think they all were good friends over a period of time.

Chall: But you didn't crack that one. I noticed in that speech, which was lengthy and full of statistics--and in others that I read--that you had a great deal of information at your command. The

speeches read very well.[1] What kind of help did you get with the development of these speeches of yours? Staff help. Did you have a lot, or did you just sit down with your yellow lined pad there and write it, and leave blanks where you needed the statistics filled in?

Browne: Well, it wasn't until the latter part of the 1960s that I had any real help. Staff wasn't provided, and while I liked having administrative assistants where I could assign them something to do and who frequently could be helpful in digging out information, I really didn't have much help. So other than two or three speeches which were written for me by others, though I gave them the details I wanted covered, it was all my own work. So a lot of time, and a lot of effort-- Of course, that's one of the reasons why I stressed the need for an adequate reference library. And the ability to call on it for information.

Chall: Does the Bank of America have a good reference library?

Browne: Yes, the one that I built up. They didn't have one--they had a law library, and then they had another miscellaneous library. But our field was completely separate, and that's what bothered me. I'm never sure whatever happened. I would hope so, because it was information that is difficult to duplicate.

Chall: That long speech that you gave before the congressional hearing, did you write all that? There are a lot of statistics in there, tables--

Browne: Well, I just had those extracted and put in. I had some editing done in Washington by the law firm that was doing our work. They were good at it, because they had unlimited resources, and were very familiar with the process. So that wasn't difficult. But at the bank, it was.

Spokesperson for the Bank

Chall: Do you like to make speeches?

Browne: I'll put it this way: I like the challenge for subject material which I think is interesting, and can be informative. But I'm

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[1]"Increased Flexibility for Financial Institutions." Hearings before the Committee on Bank and Currency, House of Representatives, 88th Congress, First Session, September, October, November 1963. pp. 413-443.

not eager to make a habit of being a public person. I actually had to do this in order to pass on the message. And the bank was very keen, I think I mentioned earlier, about developing its image. It needed people to go out and talk about things of importance to the bank, and to California. There weren't that many people, because actually the loan side of the bank wasn't very scintillating. You could talk about international banking, you could talk about trust work, but so much of banking wasn't very interesting. We thought the area that I was in, because I was also involved in other activities, that it was a good place to be, so I could be a spokesperson for the bank for California.

Chall: Did you develop yourself as a spokesperson, and they then accepted it, or did anybody ever say, "Well, I think you probably could do a pretty good job at this, why don't you go out and do it?"

Browne: I had to do it myself.

Chall: I was thinking of the Beise years, because he didn't enjoy this kind of thing, whether he was pleased to have you out there as the front man.

Browne: He really never said very much. I always had the feeling he was more critical than supportive. Because his nature was such that he didn't really enthuse. And that was again the question mark. If someone was out there, and as frequently in print as I was, then you had to have some realization that there were areas of concern by those who were not involved. It was very easy to be critical, because they figured, well, it's an eager beaver patrol, self-service, ego, and all that sort of thing. But on the other hand, there was nothing I gained personally by doing it, beyond the satisfaction of performing for the bank. That couldn't be read very carefully by others.

Chall: What about Carl Wente, who <u>was</u> an outgoing person?

Browne: Well, Carl was great. He would give me hell occasionally, but he had a good sense of humor, and I would say he understood. He was very frank with me about many things in the bank, just like I found out in other areas. He had no concern about my role; he was very supportive.

Chall: He was supportive, but not concerned with what you were doing?

Browne: That's right. I've been in meetings where he's bowled over a lot of people by his booming voice. I recall how he bowled over Clark Beise a couple of times, just let him have it. He was a strong person.

Chall: Yes, I guess he was. People felt, I suppose, that he was probably the right person at the time to take over after Mario Giannini's death.

Browne: I think there was a lot of pressure for Clark Beise to be the president-elect. But I think there was concern among some of the bank people, and probably directors and others, that thought it was too soon. They wanted to have someone that would maintain a level between the past and the future. I think I told you, I went to a dinner party in an Italian restaurant in Oakland when it was announced that Carl Wente would be the next president. Clark Beise took me home. I gave him my best wishes, and he was given some recognition as a result. But I could see he was unhappy and disturbed.

Chall: Because he expected that it might go to him?

Browne: That's right.

VI CIVIC AND COMMUNITY SERVICE

[Interview 5: July 5, 1988]##

Browne: Here's my first choice of someone who could write an introduction. I've known Wendell [Witter] since high school days and through college and also in the financial community. And, of course, knowing his brother and uncles and aunts and so forth, he's a person who would have a much broader perspective than someone you might have known your entire life but at the same time had no professional relationship. It's been a long-time business and social relationship.

I'm going to give you a few more things [to read]. I thought this would be of interest to you.[1] I received it [book] a few weeks ago from one of my former friends--you might say, competitors. He was president of the Investment Bankers Association, and I worked with him. As a matter of fact, he belonged to the same fraternity as Wendell Witter. But it's kind of an interesting treatise on his family and his life. I thought this might be of some satisfaction to you. His wife and he are quite artistic, like designing their own wallpaper and doing things like that. So this is his effort.

Chall: I recognize the name. I've seen some correspondence from him in your papers.

Browne: And here are some various items that you might find interesting to go through [folder on Candlestick Park]. And here are some other miscellaneous things you'll find interesting. A huge amount of press clipping material. But I've listed them all so there's a reference point. You'll have some fun here. Here's my old friend L.B.J. And I don't know whether you saw this particular item in the New York Times on the Bank of America, but it's a fascinating story. It's pretty frank.[2]

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[1]Francis Robert Schanck, Jr., Anecdotage Plus a Few Reflections, 1987.

[2]All of Alan Browne's papers have been deposited in The Bancroft Library.

I have a small file box that I'm going to bestow on you. It's a history of the San Francisco Bond Club with material that was to be used to produce a history of the bond club. The club members ran out of money so it was never produced, but I have the pictures, correspondences, and all that material. For anyone who is doing anything on the financial community in San Francisco, this is a key piece, because it starts with the beginning, which is prior to 1929. The principals are there, the letterheads, and the pictures are all very good. It's a contribution. It's for posterity.[1]

Chall: All right. Thank you.

Today, I thought we'd go out of the bank. I wanted to start to discuss some of your major community work. Then eventually we'll go back into the Bank of America, cover your decision to retire, and your activities in retirement.

Let me quote from a speech that you made in 1958 to the Sixtieth Annual Conference of the League of California Cities in Los Angeles.[2] You said, "Banks, as part of the community, encourage their officers and personnel to participate in civic and community activities. They frequently are a backbone to fundraising for charitable enterprises." Did the Bank of America encourage its officers and personnel to participate in community services?

Browne: They were very keen on having the officers participate, and they tried to encourage the more senior officers to bring their protégés along, introduce them to the intricacies of serving on committees and being appointed to various local charitable, and philanthropic, and civic organizations. It was an image-building program, and also it was excellent training, because it was one way you could project the image of the bank. You also projected your own personality, in a sense, in competition with others occupying a comparable position.

Chall: And depending upon the personality of the person involved, the institution would be assisted, aided, moved ahead?

Browne: That's right. The only trap one ran into was sometimes people were very good at, I might say, their public relations, but they weren't that professional in their assigned duties. But, I made a point of always encouraging, as I called them, my administrative assistants to get into the areas. It was really extremely important to me.

Chall: I noticed in the material that you gave me that in some of the

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[1]Deposited in The Bancroft Library.

[2]"Present Day Banking Services," October 28, 1958.

Alan and Betty Browne en route to one of their many conferences.

Alan Browne in action.

ALAN K. BROWNE
300 MONTGOMERY STREET
SAN FRANCISCO

July 9, 1965

We are preparing a history of the San Francisco Bond Club and one section will consist of the annuals of the club as told by past presidents.

I ask your assistance, as a past president, to give us an account of the most memorable events during your term of office. To this end we have prepared the enclosed topic sheet to help you supply the information we would like.

Please include a brief autobiographical sketch in the manner of "Who's Who."

We would appreciate any photographs, correspondence, programs and other material on the club, especially from the earlier years.

Your cooperation is most appreciated.

Sincerely,

Alan K. Browne

AKB:ni
Encl.

organizations, you claimed that you had stopped taking active participation and encouraged Lee Prussia and Art Cooke to do so.

Browne: That's right. Generally, they were more than willing to do it. Some of the individuals were extremely eager to get identity. That included speaking engagements or writing articles, and traveling to the extent where they could appear before groups outside of the Bay Area.

Chall: Were any others as active as you were all through the community, not just in banking-affiliated organizations? I just wondered whether you were an aberration.

Browne: The financial community in particular, including the top corporations and financial institutions, generally had at least one individual that was assigned the furtherance of the image of that organization. And they were known for that, just PR. Actually, they did not have a professional function in the bank related to the business of the organization, whether it was a bank or a corporation. They just had that idea of going around and selling their institution.

I happened to be, I might say, broader based, because I was active in the professional field, in the civic and charitable field, and carrying on the activities of the bank. Fortunately, because of public finance being such a key factor in a community, if I could speak on that subject, I did it from strength, not by having someone write a speech for me.

And the others were just not into it. They were not interested in doing it, they had their own limitations, and always were a little bit--I won't say surprised--that I continued to do it.

Chall: And in your bank, then, were you the primary outreach person?

Browne: That's right.

Chall: Not just for investments, but generally?

Browne: That's true.

The Voluntary Credit Restraint Control Program During the Korean War

Chall: I thought we'd start with one of the activities you mentioned last week that you thought would be worth covering, although it

isn't a community service like the others we'll discuss. That's the Voluntary Credit Restraint Control Program. It came about during the Korean War. That, I figured, was from 1950 to 1953, since those are the major dates of the Korean War. What was the logic behind the program, and who created it?

Browne: It was a program which originated with the Federal Reserve board of governors, and in turn in sympathy with the administration.

Chall: That was Truman?

Browne: It was to control the volume of credit needed to finance the domestic economy, and also finance the Korean War effort. They had gone through World War II financing the war essentially by selling war bonds. They didn't want to go through that again; this was a time where they could no longer substantiate what had happened. Because during World War II in the financing done by the Treasury Department, there was a guaranteed return on your investment. The bonds were essentially long-term treasury, 2-1/2 percent bonds.

During this period of time, the Federal Reserve and the Treasury Department sort of broke ranks. The Federal Reserve was supporting the government by buying these securities in the market, always paying par for them. And of course, it was an unrealistic rate of interest, as inflation was beginning to set in, and interest rates were tending to rise.

So, to keep that problem from the marketplace, by keeping the government out of financing, they thought of having a long term credit restraint program. This was patterned after a similar program which existed in World War I. It was just to tie up the knots that were loose, and they formed these credit restraint committees identical with the Federal Reserve districts. This was the 12th Federal Reserve district, so in effect all of their requests for financing which exceeded the guidelines which they had established by regulation had to go before this committee, or the other committees, and in turn have approval or disapproval or modification or postpone, as the case may have been.

So suddenly, in the 12th Federal Reserve district, the volume of financing was beginning to get rather heavy. And the question is: was it for a governmental wartime purpose, or was it beyond that? One of the typical problems was the financing of the California veterans program. There had been substantial bond issues approved by the voters, and the state was selling these to loan money to veterans, primarily veterans of World War II. So that was a big item.

And then there were utilities that were seeking to expand their system, and sometimes it was a matter of refunding. But anytime there was an increase in financing in the market, it had to come before the committee and they had to approve it.

Chall: Is that financing in the public area, or also private corporations?

Browne: The spectrum. Not the federal government, because we were working for them, but it was state and local government and corporations.

Chall: Who were appointed to this committee? The 12th regional district takes in what? All of Washington and Oregon, or just--?

Browne: California, Washington, Oregon, Hawaii, and Alaska.

Chall: Did the members of the committee who were appointed to the committee represent the entire area?

Browne: Essentially, no, because the committee was headquartered in San Francisco for convenience. It was better to be able to meet on short notice by walking over to the Federal Reserve Bank. But we met once a week.

Chall: I noticed that, so I wondered how these other people could get there.

Browne: They had to rely on us, just like so many other similar organizational structures--if you want to be heard, you have to travel to the city where the hearings will be held. So anyone from the state of Oregon who had a bond issue they wanted to have approved, they could submit it by mail, but essentially they would come in person and appear and make their plea accordingly.

Chall: But the committee members themselves really lived around the Bay Area?

Browne: That's right. I can't recall all the committee members, but there was a mixture of individuals.

Chall: A mixture of what kinds of representation?

Browne: Those who were professionals in finance. Municipal, government, and corporate. Because they would have to judge the quality of the request, and the importance of it and the value of it. There was a tendency for a lot of borrowers to press for their ability to finance in the marketplace, so they were using all the

leverage they could to have approval. We had to sit back and deal with these problems. Not emotional, but on a practical basis.

And at that point in time, it was quite substantial, because normally the flow of financing going into the marketplace had big dollar signs. If we were going to close it down and in effect postpone most of it, it was going to have an impact both on the borrowers who were requesting this and the industry that would market the securities.

Chall: So that in a sense you were shutting down your own businesses.

Browne: That's right. We were trying to live above any conflict of interest, but actually we were curbing our interest, which would have been pecuniary for a financing volume.

Chall: I noticed that you said that someone from Dean Witter was the chairman of your committee, and you were the vice chairman. It indicates that there were brokers as well as the bankers on the committee.

Browne: We got so efficient in our procedure, we were in effect doing the work for the entire Federal Reserve System. The others were--most of them were professional acquaintances of mine, but when it became necessary to make decisions, they were kind of lackadaisical. We were very strict about our procedures, and we had the Federal Reserve board issue regulations which would govern all the financial institutions in the United States. So we drafted the regulations for the system.

Chall: The entire Federal Reserve System?

Browne: That's right. It was a very tricky period. And one of the things which I recall vividly is personal greed. How many individuals were trying to buck the idea of being regulated, and to find ways in which they could continue financing.

We did not have the power to go to court and enforce anyone. It was voluntary, see. Voluntary was the name. So based on our impact, living above all the problem area, we were stimulating a voluntary restraint. But, in some areas of the United States, there was no restraint at all. We found in individual organizations in the securities business that if they found a loophole, they'd move in.

Let's say we would rule that a certain state should not sell its bonds. The state would advertise the bonds for sale, and if someone wanted to negotiate with the state itself, they could

probably buy these securities. And of course, there was a taint on the dealer and on the credit. But on the other hand, if it was a profitable deal, a number of people did this.

So it showed up here and there. Ultimately some of those organizations suffered for it, because they were just putting money in their pocket and paying no attention to the interests of the country.

Chall: Would you look at the amount of money that a state or corporation or public agency wanted to sell bonds for, and say that they couldn't do it because it was larger than the amount that you had set, or had you set an amount?

Browne: We tried to within certain guidelines. Some situations were automatically approved, because they were not a large dollar amount. Some case was the key approval, because it would start other things in motion, but no great avalanche. But we had to establish that, and particularly this was a period of time when large bond issues were beginning to be more frequent than before, and it meant a lot of activity. So, if we could, we'd say, well, you want to sell 100 million, why don't you set your sights at 25 million and spread it over a certain period of time. Because none of us could really anticipate how long the restraint program would be in force, or how long the Korean crisis would be in effect.

Chall: So then they might go back and do that; at least this would ensure that they had some money coming in.

Browne: That's right. We weren't really trying to be ogres, we were trying to be effective and keep the economy from stumbling.

Chall: Yes. I suppose with respect to the war effort that industries that dealt with the war, or communities that had large numbers of military personnel might be exempted, or did they have to come before you as well?

Browne: They still had to come before the committee. We were trying to be objective. Certainly some of the expenditures where requests were being made to have approval were furthering the war effort, so there was no question about it. But it was a matter of being non-productive. It was very much like these leveraged buy-outs and takeovers in today's market. They don't add to production, they don't add to the economy. So we felt some of the financing was not going to add to the economic well-being of the country, it was just going to take up dollars. So we said no.

Chall: And the fact that you had to meet once a week meant that you were

screening these applications --?

Browne: That's right. We had a volume of them, they would be addressed to the Federal Reserve. They acted as the secretary for these meetings and conducted the recording of anything that was said or done. We had a good chance to review it, and if there was any question mark about it, we were given the information in advance. And if there was a reason for having a witness, we would request that. If there was information which was not provided, we would request that and get it back within a reasonable period of time.

Chall: I see. You felt that you had to work fast, within a reasonable period of time, so you couldn't hold up the organizations and their own ability to move.

Browne: That's right.

Chall: Was this stimulating in a way?

Browne: I found it very interesting. We were seeing the requests for financing from the 12th Federal Reserve district, and we were also being informed on what was going on in other parts of the Federal Reserve System. Frequently there was a matter of comparing notes, because there was a comparable situation. But our committee was a good committee. We were dealing with the president of the Federal Reserve board in San Francisco, and we were also dealing with the chairman of the board of governors of the Federal Reserve in Washington.

Chall: Do you remember who that was? I noticed you used the name Wilson somewhere along the line.

Browne: Wilson was a member of the cabinet. I can't--I think they called him something like Steamboat Wilson. He had a nickname. Because there were two Wilsons at that point in time; this was the other one. And he was the one that was in government.

The Attempt to Move Puget Sound Power and Light Company From a Private to a Public Utility

Chall: One of the examples that you pointed out in your own material was with respect to the state of Washington, the argument over the Puget Sound Power and Light Company. Now, that Puget Sound Power and Light was a private utility, and was it Guy Meyer who was trying to move it into the public field, so that it would be a public utility?

Browne: Right.

Chall: You or your committee, I suppose, came to the conclusion--

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--that there was a tremendous amount of pressure for this development, this reorganization to succeed. You mentioned many conferences with Senator [Warren] Magnussen from Washington. On what side was Senator Magnussen?

Browne: To go back to the problem in Washington, it was a matter of breaking up the privately-owned utilities and selling them, in effect, to a public district created to take over their property. And the philosophy was to offer the shareholders an extremely attractive price for their stock, above and beyond the market book value. In other words, make it extremely attractive.

When this was approved, the utilities were transferred to the publicly-financed utilities. They call them public utility districts. And each county had one or more utility districts. They would take a utility like Puget Sound Power and Light, and they will break up the transmission lines into one utility, the power generating facility and hydroelectric into another utility, and then the distribution center into another category. And each one of these utility districts would have bonds outstanding, tax exempt securities, which was what they paid for, the stock which they acquired.

The bonds were almost all negotiated, so there was no public offering or competitive bidding. The individual underwriting firms would negotiate, and they would bring their securities to market and profit thereby. The question we had-- This was a sensitive area, because power was very important in the northwest for the war effort. We said, "You're not creating any new power. The utilities are still there; you're even complicating the procedure by breaking it up." So we just said no. And I was the one that had to say no, because I was in charge of all the public finance requests.

Guy Meyer, who was the negotiator who put these various deals together, very politically-oriented, he continued to make sure that Senator Magnussen was well aware of what was going on; it was in his backyard, so to speak. The president of the Federal Reserve here would tell me, and we'd have some calls from Washington, until finally I was talking with the chairman of the Federal Reserve board in Washington. Always trying to have us say "Yes, go ahead with the financing." And I would say <u>no</u>. He could be difficult about it, but he finally had to admit I knew what I was talking about.

I made sure that whatever they tried to do in the way of stimulating votes in favor of going ahead on the financing, I anticipated in advance and prepared a barrage of letters and wires to all the various supporters of the public utility district financing in the state of Washington. There was no need for the financing.

So that really upset them. And as a result of this, pressure was brought to bear, and finally Wilson apparently went down to Key West to visit President Truman. The next thing we knew, President Truman declared the Voluntary Credit Restraint Program was finished.

Chall: This really triggered the end of the program?

Browne: That's right.

Chall: That kind of pressure? So there must have been extreme pressure for this particular deal.

Browne: Oh, there was. We were all concerned about it. Betty and I used to laugh about some of the aspects of it, because it was one of those traps you could walk into. There was no question that if I had wanted any personal satisfaction, I could have had it.

Chall: Were you aware at the time that the president of the Puget Sound Power and Light was going to benefit from this?

Browne: No, I couldn't tell that, but I could gather from the way in which the stock was operating, and what was being offered, that he would be a beneficiary to the rather substantial increase in the value.

Chall: That some of the other persons were buying land?

Browne: Oh, sure. It's one of those fairy tales.

Chall: But since it was voluntary, they did try to sell their bonds, as I understand.

Browne: They couldn't make it. It was a little different with a revenue bond issue, which would be acquiring and possibly constructing some facilities. They had no assurance that it was going to be a doable piece of financing. There was a certain element of opposition in the securities industry. The firm that was primarily in the lead on this was John Nuveen and Company. They were not exactly a hit parade among their competitors. Many organizations just resented their role, and wouldn't support them.

Chall: The fact that your committee opposed it, did that have anything to do with the fact that they weren't purchased?

The Effects of the Program and a Look at Long-Term Financing

Browne: It had a very negative effect. But the strange thing is that after the voluntary credit restraint program was over, and the limitations were lifted, they had one heck of a time selling their securities. So it really wasn't an immediate success. So there's a residual from their strong approach.

Chall: And you also mentioned that after the program folded-- How long had it been going? I don't have any dates on that.

Browne: About two and a half years.

Chall: Almost to the end of the war. You said that even before it was publicly announced that the program had come to an end, some securities dealers in the East went ahead with whatever securities they had, that they could get ahold of, and sold them over the counter without informing the issuer.

Browne: They were trying to beat the gun and acquire securities at a low market value. So they were in effect hoping for profit, because the issuer had just said, "Anyone who wants to buy these securities, first come first serve." For many, that was no invitation at all, they wouldn't have anything to do with the securities; but for others it became interesting. And when it was felt that the restraint program was going out the window, some of the dealers went around looking for bargains, and I'm sure they profited by it. But it was never that substantial; it was just an indication of what the securities industry was finding, that the bottom line in ethics was more important than the best interests of the country.

Chall: So in other words, they weren't negotiating--?

Browne: Not in good faith.

Chall: Did the process gradually come back to its former methods?

Browne: Oh, yes. They came back. For a period of time, some of these issues were tainted. No one would deal in them. In other words, if you wanted to sell a block of bonds, you wouldn't be able to get a bid from many dealers. They just figured there was something wrong about it. The issues were legally issued, they

had legal opinions from bond attorneys which supported the credit quality, but it was again the marketing process.

Chall: Well, that's an interesting bit of history.

Browne: It was part of the growing up of the securities industry. One of the questions which continually comes to the surface is what are the ethics implied? They seem to change by the economy. Sound basic ethics which are fundamental to carrying on the free enterprise system are easily forgotten if there's a different situation.

Chall: Has this ever been tried again? Vietnam?

Browne: No, there's been no repeat on the program. I recall that there was some discussion later on as to the possibility of it, but normally speaking, this "guns-and-butter" approach has been dealt with otherwise. But the Federal Reserve still, through the chairman of the board of governors, tries to make sure that Congress and the administration are aware of what policies may do to the economy. Because they are the ones that support the government bond market, and if anything undermines that market they're in trouble. So what they try is to use their persuasive powers.

Chall: They weren't too persuasive, were they, during the Vietnam War?

Browne: No.

Chall: Because that led to problems that we still face.

Browne: They weren't really thinking about it. And again, going through this change in the relationship between the Federal Reserve and the United States treasury on supporting the government bond market, that was the beginning of the increase in the cost of money, increase in interest rates. And all through the 1950s, you could see this taking place. The dollar amounts of bond issues was increasing, there was more demand for funds. But the marketing factor was still there. The assurance that many had that the Federal Reserve was to support bonds at par was shot.

Many financial institutions that had bought war bonds had one heck of a time, because they were stuck with bonds which they thought they could dispose of at par. They found that they were no longer at par; they were at a discount. And for savings and loan associations and savings institutions, they had a potential of a fairly substantial loss of capital. There were any number of you might say innovations made to find how could you protect these financial institutions, and their depositors and

stockholders, from the debacle of rising interest rates.

So we had a challenge there, and the treasury would come out with some--we call them Mickey Mouse ways of giving the holders of these 2-1/2 percent bonds another bond in place of it. And if they held that bond for a certain period of time, then they could get out with no loss. But it wasn't easy to do.

Chall: I guess there's no perfect system, is there.

Browne: No. The treasury with its increased volume of financing has had to change many of its methods. We used to have a series of maneuvers to reduce the weight of long term financing. The major thing was advance refunding. You'd try to take bonds that were issued at a high rate of interest and retire them by offering something in their place. This was going on continuously. So it made financing a little different.

Chall: Was that done?

Browne: It hasn't been done. Advance refunding is done occasionally, but the exchange program hasn't been done recently.

Chall: Usually, they just call them in?

Browne: Yes. Well, they do one of two things: when they offer bonds at auction, you can subscribe for them. And you can pay for them in cash or you can turn the certain securities in to pay for them. But the major concern would be for a bank, because they have a relationship with the treasury which is a tax and loan account, and they have funds which are in deposit by the treasury in their particular banks. And they in turn can use that money to subscribe for new issues of government securities. And then there's a balancing out on this.

But the method of payment is different. If you have to pay cash, it's a little different than if you can in effect borrow. The treasury is supposed to get the best advice. The committee I served on was trying to anticipate how best to market the securities, and how best to make sure that, to use a frequently used term, [you could] maintain an even keel on the market. It doesn't go up and it doesn't go down during its period of financing. Then there will be a point when the securities are to be delivered and paid for--let's say it's on a Friday--delivered and paid for on that day. Well, Monday the market is a new market. And then they don't worry about the even keel, but during the period prior to that they try to make sure that the financing goes smoothly.

The San Francisco Bay Area Rapid Transit District [BART]

Chall: Now we'll move onto one of your really major outside activities, and that was with the San Francisco Bay Area Rapid Transit District. Are you ready for this?

Browne: Oh, sure.

Appointment to the San Francisco Citizens Committee, 1949-1951

Chall: In 1949, you were appointed by Mayor [Elmer] Robinson to a citizens' committee to study and recommend action on a regional mass transit system. And I think the committee was called the San Francisco Bay Area Metropolitan Rapid Transit District. What, in 1949, was the mayor's concern, and why did he set up this committee? What was its objective?

Browne: The beginning of rapid transit in the late 1940s was an outgrowth of the failure of the San Francisco metropolitan areas transit system. It just really collapsed because of the usage of the service equipment by the people involved in the war effort. It was just failing. The army and navy had a report which was to survey the needs of rapid transit in the Bay Area. They issued an interesting and very conclusive report. Marvin Lewis, who was a supervisor and good friend of Elmer Robinson, jumped on that, and figured the way to achieve this was to proceed to create a rapid transit system.

Legislation was drafted, and was introduced into the state legislature to create this rapid transit program. The mayor, pursuing this, appointed a committee to support the proposal. Oakland did a similar thing, but Mayor Robinson was geared, and with Marvin Lewis's enthusiasm, that was what started the transit program.

Chall: Were they mostly concerned, then, with San Francisco transit? They call it metropolitan, and it ultimately became an area program. But were they really concerned just with San Francisco?

Browne: Well, based on the army/navy report, it was the entire Bay Area. The proponents, as far as San Francisco was concerned, initially were more interested in getting the rickety old streetcars off Market Street, and that kind of thing. But no, this was a broad-based deal, and after all, the Bay Area had been subjected to transit needs over many, many years. There had been many ideas

about how to do it. This was you might say an easier way of approaching it. We'd all seen streetcars, and we'd heard about subway systems. There had been proposals made for subways in San Francisco, just like having bay crossings by bridges or by tunnels.

But this was the idea to try and resolve that, and the enthusiasm was pretty substantial. Of course, at that time, the ideas that were being expressed by those who had something to sell were kind of fantasies. Monorail was a great means of solving rapid transit programs. So that was the philosophy: solve the Bay Area problem.

Chall: And the problem was at that time relieving traffic congestion? Getting people out of their automobiles, was that the way you saw the problem initially?

Browne: It was essentially just a breakdown on the movement of people. Goods were not important, because they were talking about vehicular traffic rather than trains and trucks. So the major thing was to clean that up. And of course, during this period, within each community there were questions about parking and traffic control. The parking and traffic control and transit all were intertwined. Frequently, the solutions were not very good because they would mix up one with the other, and they wouldn't come out right. But essentially, if they were working on a transit program, they'd have to find how do you control traffic, and how do you control the use of the facilities. One of them being parking; parking at a station was a factor that couldn't be resolved immediately, because most of the property around the station was already occupied by something else.

Chall: The interest of Joseph Knowland in Oakland, with his Committee of One Hundred, did that push for the creation of the San Francisco Bay Area Rapid Transit District with its twenty-six member commission representing all the counties and the cities in the nine Bay Area counties? Did he push in the direction that it might otherwise not have gone?

Browne: He certainly was doing his usual major thing for Oakland. He wanted to make sure that Oakland was going to be the seat of the transportation system, and furthering the Oakland Tribune empire. He felt it was very important that Oakland become a factor in this. It was only by virtue of the meeting of Oakland and San Francisco politicians, both at the local level as well as the state, that they were able to come up with approval to support a piece of legislation which they could both accept. And it was really a matter of an acceptance, and as long as Oakland wasn't being deprived and had a proper position, that was fine.

Chall: Otherwise San Francisco would have been the lead?

Browne: That's right.

Chall: So can you understand the concern of the Oakland community?

Browne: I can certainly do it. Of course, in the beginning, they had their own transportation system, which "Borax" Smith had been responsible for. They'd had the Southern Pacific and the Santa Fe and the Western Pacific, and they'd had the interconnecting lines. So where rail and water meets for Oakland was a major concern. And San Francisco being across the bay, they hadn't quite achieved the success that they wanted. They were still balancing out the transportation system from San Jose to San Francisco. The transportation system to Marin, Sonoma, and Napa counties was undergoing a change because of the development of the bridges, and the demise of the ferryboats. So all of that had an interplay.

Appointment to the Bay Area Rapid Transit Commission, 1954-1957

Chall: When you did get on the commission in 1954, you were representing San Francisco. All the other members were from other counties and the cities. Were you all appointed by the governor? Was that pro forma?

Browne: No, the way the commission was appointed provided that the boards of supervisors of the counties and the governor could appoint members on a ratio. So that's why I represented the City and County of San Francisco. I was appointed. There was no residence limitation, because I was living in San Mateo County at the time.

Chall: That's always been true in San Francisco, I think. Didn't matter where you lived as long as you worked there.

Browne: That's right.

Chall: Besides the differences among the members of the commission, didn't you also have to deal with the concerns of let's say the highway district, and railroads, the automobile industry, even for a while the concern about building the parallel bridge alongside the Bay Bridge? By the time you got on the committee in 1954, was everyone reconciled to the fact that there was going to be some kind of rail rapid transit district, and they weren't going to build a second bridge? And maybe the automobile

wouldn't be king, whatever that meant?

Browne: There's no question that there was a lot of infighting on the jurisdictional level. The interesting point in the development of the BART is that it was state legislation, and to evolve the program, to remove it from too much political influence at the local level, it continued to be a state project. Under those conditions, being a state project, the commission had the authority to call upon state agencies to help. So that included the transportation function, the bridge function, and the office of the attorney general, and some of the other units.

So we were in a little different role, and anyone that was concerned about us was bucking, in effect, a state agency. But if we had been just San Francisco or Oakland, it might have been different.

Chall: I see. So that the development of the large regional commission with its membership representing all the nine counties, gave you more clout than you would have had otherwise. How interested and active were the other members? You were very active, obviously. Did all the others have that much time to get to your meetings?

Browne: We were meeting in a state facility, usually out at the state building in San Francisco. The meetings were held and conducted just like a state-run organization. We used the facilities and we conducted our meetings accordingly. They were all public meetings, and the commission was broken down into committees. I was on the legislation committee and the finance committee, and others were on the engineering committee, whatever. The end result was those that really wanted to participate, could. And some of them were quite good in their particular area of expertise.

One of my good friends was Clair MacLeod, whose widow is a member of my class. She lives in Piedmont. His background was working for a small railroad company; I think they were in the lumber business too. But he was very good, and excellent. Another individual by the name of Jack Beckett. He was not the Beckett that was head of PG&E, and whose son became head of Transamerica; he was another Beckett. He worked for Hewlett-Packard in the San Jose area. So each of us, in our own way, were doing these things: getting the material into a form which we could say would comprise a report. And that was our charge, you see, to report back to the state legislature on what our recommendations were.

Chall: But you had very important consultants, nationally known, who reported on the engineering aspects and financial aspects which

REPORT TO THE LEGISLATURE

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Frank B. Durkee
Director of Public Works
State of California

December 16, 1957

To: THE HONORABLE MEMBERS OF THE LEGISLATURE OF THE STATE OF CALIFORNIA

Under the provisions of Chapter 1760, Statutes of 1951, this commission was assigned the responsibility of bringing about the development of a master co-ordinated rapid transit plan adequate to meet the requirements of the San Francisco Bay area for the foreseeable future. In the view of the commission such a plan must embody the following essential elements:

1. A clear determination of the facilities required, together with estimates of the costs that will be involved in providing them;
2. A practicable plan of financing the costs of providing the facilities required; and
3. A determination of the legislation required to make possible the establishment of a workable organization empowered to bring into being the facilities required and to administer their operation.

Appreciating the vast amount of public interest inherent in the exploration of a problem of this magnitude, it was the view of the commission that, to the fullest extent practicable, the public should be kept informed of the progress being made in carrying out these investigations.

In keeping with this policy, the commission transmitted to the Legislature on January 5, 1956, the report of Parsons, Brinckerhoff, Hall and Macdonald, the engineering consultants retained by the commission to determine the rapid transit needs of the San Francisco Bay area.

On March 15, 1956, the commission transmitted to the Legislature the report of Stanford Research Institute, the organization retained by the commission to make investigations relating to methods of financing the costs of the facilities and to determine the type and scope of administrative authority appropriate for creating and operating the proposed facilities.

Copies of both reports were also distributed to agencies and groups considered to have an interest in these investigations. Numerous presentations covering these reports have been made before official and citizen groups throughout the nine Bay area counties, and there have been a number of radio and television programs featuring phases of the commission's studies, all for the purpose of informing the public as to the investigations made by the commission.

During 1956 the commission formalized into a draft bill its recommendations relating to legislation needed to create a public agency vested with the authority necessary for implementing a program for providing rapid transit facilities and submitted the draft to the Senate Interim Committee on San Francisco Bay Area Rapid Transit Problems. The bill was introduced in the 1957 Session of the Legislature, where, after undergoing some amending, it was enacted as Chapter 1056, Statutes of 1957.

Accordingly, it is the pleasure of the commission to transmit herewith its final report to the Legislature and to report that the duties assigned it have been discharged. Its members are appreciative of the honor bestowed upon them by this opportunity to perform an important public service.

(Signed) ALAN K. BROWNE, *Chairman*

(Signed) A. H. MOFFITT, JR., *Vice Chairman*

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* Chairman, February-September, 1952.
† Chairman, October, 1952-February, 1953.
‡ Chairman, March, 1953-January, 1957.
§ Chairman, February, 1957, to date.

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you could then use. How did you use these consultants? Did they bring back interim reports that you could discuss?

Browne: Yes. The major consulting firm was--I can't give you the exact name, because it's changed--Parsons, Brinkerhoff, Hall and MacDonald--whatever their name is. They were the major engineering, and Bechtel became part of that group. Of course we used Stanford Research Institute, and we had financial advisors. We had any number of them, within our limited funds, because we did not have an untold amount of money to spend. Each one of these organizations would interview, be on the scene, make reports, present them to be reviewed in turn. In many cases--

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--reports were headed towards meeting a potential deadline of a final report to the state legislature. Because there was money involved, and the state had appropriated funds for this purpose, and the counties had appropriated funds. So it was being pushed down that alley.

Chall: Well, the final draft of the bill in 1957 was very largely written by committee, I guess.

Browne: I did it.

Chall: You especially?

Browne: Yes, that was the way it went. There were certain structures you could use for any piece of legislation, but the details in the bill had to be written with an idea of their practicality. And the ability to see that they could be enacted. So, for the benefit of the attorney general's office, and the Herrington-Sutcliffe office, I put the material together.

Chall: I see. And you did have assistance from the attorney general's office? I guess Pat Brown was then the attorney general and provided you with a deputy to help you with the legalities.

Browne: Right. He was very helpful. Any time we had a question, he would give us a reading, so we could proceed. Otherwise, it would have been pretty awkward.

Chall: What was the role of Senator John McCarthy? He had been important all the way through here, hadn't he, over the years? I guess he was the chairman of the senate transportation committee [Senate Interim Committee on Rapid Transit in the San Francisco Bay Area]. What was his role?

Browne: He was the person who spearheaded the legislation through the

state legislature. And that meant lobbying among his peers to make sure that he was getting support on the transportation committee, and obviously the key people were those who represented the counties, which would make up a nine-county district in its potential routine. [George] Miller from Contra Costa County was a very important person. I can't remember the names of the others.

Jack McCarthy and I were in constant communication. We'd have our way of knowing when we should be in Sacramento and dealing with the state legislature. At any time on any subject, you have to be prepared to be at a committee meeting. Even though the committee meetings may be postponed or cancelled, you still have to be there. So that was our way of dealing with this. And we were running into the obvious conflicts which were in opposition to the idea of having a rapid transit program.

The Opposition

Chall: Now, the opposition came from--some of it in San Francisco itself?

Browne: That's right.

Chall: Which would gain considerably by this measure. What was the reason for the opposition, let's say, of the Call Bulletin and the Chronicle? You said their opposition was lukewarm, but that the Examiner was really totally in opposition.

Browne: The major opposition seemed to arise from the Southern Crossing, and the Examiner and others were very much in favor of building a southern crossing. That meant the whole ball of wax--the engineering factor, the acquisition of the property to pursue it, and the total financing that might be involved. That was the beginning. Now, there was competition and opposition because of the employment of Parsons, Brinkerhoff and Whatever by DeLeau and Cather. DeLeau and Cather was the first engineering firm that had been employed, and they had a minimum budget. They did a pretty good job, but they wanted to use the Southern Pacific system. So they had quite a different approach.

So they were lobbying with San Francisco through the office of the controller in opposition to the other legislation. Then we had the latent impact of Standard Oil and PG&E.

Chall: What was their--?

Browne: They were against anything that would deprive them at that point in time of their market. Rapid transit would take cars off the highways, so they weren't going to buy the products of the oil company. PG&E was thinking of who was going to provide the power, the energy, to run this system. So each one had a little different ox to gore, and they weren't quite seeing the bigger picture.

Chall: I can understand Standard Oil, because you talked a little while ago about the automobile industry. But what about PG&E? Where else would you get your power?

Browne: Well, that was my point. I had to raise that issue. I think I mentioned to you, I had to appear before the Blyth and Zellerbach committee.

Chall: The Blyth and Zellerbach committee was the--

Browne: They were the key committee. They were the ones that really formed the Bay Area Council. They were the people who made the decisions and could back up their decisions by making sure that things would move whatever way they wanted them to move. And Steve Bechtel, and Carl Wente, and Zellerbach were very important factors in this. Charlie Black was another one. We had pretty tough opposition.

Chall: My recollection of this Blyth-Zellerbach committee was that it was the so-called "Blue Ribbon" committee that was appointed as a watchdog for San Francisco and its development. It was the really big business group.

Browne: That's right. It was an organization that supported what they considered were the projects that were of great interest to San Francisco Bay Area, because they couldn't limit it to San Francisco. And they did an excellent job in giving support where it should be. Generally, if you had a major program, you would seek their support. In my case, I appeared before this group, and it was a very fascinating experience to find the nature of the opposition. Because as it worked out, Bechtel saw a chance to do the engineering work, and Kaiser was also involved in the idea of selling concrete and steel and engineering. PG&E could sell power; Chevron, if they took cars off the freeways, they'd be replaced with other cars. So that was another factor, and they all could see that they were going to benefit.

Chall: But they couldn't see it until you pointed it out?

Browne: They weren't putting it all together. They couldn't see the potential development of Contra Costa County. They couldn't see,

when you ran a transit line out into suburbia, what would follow. And the Southern Pacific, which I should also mention, they were extremely negative.

Chall: Yes. That affected what happened with San Mateo County, didn't it?

Browne: Yes. Their men in the yards along the right-of-way were the ones that could postpone that.

Passing the Legislation

Chall: Well, eventually then you got the approval of the Blyth-Zellerbach committee; you got the approval of those people representing San Francisco in the legislature. I read somewhere-maybe this wasn't in your legislation; I haven't read the bill--that the Bay Area Rapid Transit District agreed to pay the cost of temporary removal and relocation of all of the San Francisco city and county facilities while BART was being built. How did that come about? Was that in the legislation?

Browne: No. Well, the whole story of BART's progress has to be measured against the delays which were caused by local jurisdictions. For instance, Berkeley did not want to have an elevated system, they wanted a subway.

Chall: This was after, though.

Browne: Yes, but I'm trying to tell you what had built up. There was a tremendous amount of irritation about BART moving forward, in a sense that it was going to change the spectrum. In case of the Southern Pacific, their standard policy was no federal funds, no giveaways--we don't want anything that's going to be financed by government. Well, of course, that was their position at the time, and it was difficult to deal with it. There was no giving, except ultimately the Blyth-Zellerbach people prevailed, even though they were members of the same group. They made it very sure.

But going back, you may want to phrase that question again to me.

Chall: You claimed that there had to be compromises made in the final bill. Since I haven't read the bill, I don't know what the compromises were. But I did read that BART had agreed to pay the cost of temporary removal and relocation of all San Francisco

city and county facilities while BART was being built. Was that in the legislation, or was that a promise made?

Browne: That was a promise. The compromises that were made in the legislation were negotiated between the controller and myself at an intermission in a meeting of the transportation committee of the state legislature in Sacramento.

Chall: The San Francisco controller, that was Harold Ross?

Browne: Let me see. I'll think of his name in a minute. Yes, Ross was one of the controllers, but he was the one that was dragging his feet, and it looked like our legislation was not going to be improved. He was in the background. I was making my recommendations to the committee. Harry Ross--I guess that's the person--he just called and asked for a recess, and he got me and said, "Alan, what are you doing?" I said, "I'm just trying to make sure that we have a chance to do this, and I'm trying to answer your objections and the things that you have in mind."

He said, "Well, okay." So he agreed, and he got Santa Clara County to go along with it. That's how we did it.

Chall: What were his objections?

Browne: Oh, they were minor things in the bill. But one of the things which is basic is that San Francisco wanted to make sure that they would have the transit system that they had always wanted--paid for by BART. That was part of the legislation. In other words, San Francisco's position was to make sure that they had a subway system. And they wanted BART to pay for it, and that's what happened. So this was done by the negotiating process.

But there were other things that were separate and apart, which were not--it was a matter of agreement. As a matter of fact, BART had to make so darn many agreements in order to have approval and a satisfactory relationship with each jurisdiction through which a transit system would flow. It took time, and it was costly. It cost a lot of money.

Chall: And this was just getting the bill passed?

Browne: That's right.

Chall: By that time, you only had five counties--Alameda, San Francisco, San Mateo, Contra Costa, and Marin--those were the ones that remained in the bill. At what time and how did it come about that the usual vote that required a two-thirds majority for passage of the bill that dealt with taxes was changed to 60

percent?

Browne: That was an interesting point. This was one of the things which was in the negotiation that I had with Harry Ross. Originally, we had conceived that a transit system could not be self-supporting. There had been a record that service transportation all over the United States, particularly streetcar companies, had failed because they could not support themselves. It essentially was a matter of labor. Labor costs were always increasing, and you couldn't get it out of the fare box. So we were struggling with that, and I think that in trying to get Harry Ross to go along with what we were attempting, he thought it was okay as long as BART paid for whatever was going to happen in San Francisco.

I think that his opposition was in the best interest, as he saw it, for whatever San Francisco had in mind.

Chall: This dealt with whatever San Francisco wanted, San Francisco was going to get. But my question was, with respect to the vote, every county had a vote on whether they would approve getting in and the amount of taxes that they would pay.

Browne: Well, getting back to our negotiation. We had a 25 percent debt limit. In other words, you can indebt the district by 25 percent of the assessed valuation. Which brought a lot of opposition, but we figured that that was necessary in order to have the dollars available to do the job. We were soon to find out that you couldn't do it for what we finally settled for, which was 15 percent. So they had to go the sales tax route and use other financing by the toll bridge authority. But there was just no way we could move in and make the thing work.

Chall: And you felt that you might not get the usual two-thirds vote so it was changed to 60 percent?

Browne: Yes. Now, there was another thing that was slipped in there which made a big difference. The two-thirds vote was standard, along with the 15 percent assessed valuation. But we had designed the act so that the directors were all appointed. They were not elected. The major concern there was that this was a facility that required expertise, preferably of engineering and financial background, and that the average elected official was going to be sort of self-serving. We also provided that no elected official could be appointed to the board.

And so, as a result of that, the compromise was made to reduce the required bill from two-thirds to 60 percent. And also to permit public officials to be appointed or elected to the

board. So they got their little piece of pie, and we had the additional flexibility. Originally, we had set it up so that it was just a majority approving vote, rather than two-thirds. We tried to be as flexible as possible.

A Critique of BART System Planning

Chall: Well, it just passed by 60 percent. Just made it. With the 66 percent it might not have, who's to know. It's been claimed that initially there was a concern for transit to relieve traffic in, let's say, the '49-'51 era. But actually, it changed and became a tool by which the future growth of the region would be shaped in a particular way, and that later on the consultants were not so concerned in their reports with relieving traffic congestion as much as they were for setting up a district in which San Francisco would be the nucleus for a high intensity business district. BART was set up with that in mind, and according to one writer, you attempted to create rather than serve the future.[1] I got that information from a dissertation written by Stephen Zwerling on the policy consequences of the Bay Area Rapid Transit District. He has written that when some people at that point in the late fifties and early sixties complained that the ultimate result would be the Manhattanization of San Francisco, that those in control of the business community said, in effect, that is what it's going to be, and there's no point in fighting it. Did you sense that this was the rationale behind the development of BART?

Browne: No. I think there are some elements of truth in that. On the other hand, you have to consider what were the political implications? San Francisco wanted to be the hub of the transportation program; they wanted the trains to flow through downtown San Francisco. They wanted to make sure that the transportation system in turn took care of providing their residents with rapid transit in and out of the Bay Area. So that was one thing.

To go back a bit, the San Francisco Bay Area had been, you might say, well mapped with streetcar lines, and rail lines, ferry lines, and bridges. So they were scattered all over, and they were obviously designed and developed to take care of the

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[1]Stephen Zwerling, "The Political Consequences of Technological Choice: Public Transit," Dissertation for the Ph.D. Graduate Division, Political Science, University of California at Berkeley, November 1972.

needs of that particular period of time, and that particular region. When the engineering work was being done, and the economic forecasts were being projected--you'll see in the report I'll give you, they were projecting the BART system into the 1990s, and the increase in population, the increased need, because they could foresee that there would be development along these transportation lines.

As it developed, it would change the concept of that region. It would change in many places. Walnut Creek is a particular example of it. That continued to be, I think, underlying most of the questions that were being raised. I don't think that there was a desire to make San Francisco a Manhattan.

The other factor which was frequently overlooked is that the original bond issue for San Francisco required the bonds to be voted by a 60 percent vote. And the major beneficiary, based on the assessed valuation against the debt, was San Francisco. Marin County couldn't continue in, because its assessed valuation was minuscule and the engineering costs were very high. Those on the other side of the Carquinez straits, the same problem. So San Francisco was really underwriting a good deal of the cost, and they expected to be compensated for it.

Chall: And they got, too, what they wanted, which was a subway system.

Browne: Yes. They could have had more, but they kind of dropped the ball a few times.

Chall: Really? What more could they have had?

Browne: Well, they wanted a line that would run from the Ferry Building, California Street, out to North Beach and out to the Golden Gate Bridge. There was another line which would have gone out to the beach, so they had in mind a kind of gridlocking transportation system.

Chall: Why didn't they press for that?

Browne: Well, I think they were willing to accept what they could under the conditions. And of course, you know the story of the Embarcadero Station.

Chall: Well, I know it because I read your material, but nobody else may know it. That was not in the original plan, the Embarcadero Station, and you had to resort to some rather interesting financing to put it out. Had nobody thought about it at the time?

Browne: The concept of the Yerba Buena development was still kind of a pie in the sky. They mention in today's paper that anything "south of the slot," as they say, was kind of ruled out. The development of the Yerba Buena area was really what they had in mind. So when the trains came through the tube underneath the Ferry Building and up Market Street, they just didn't think of stopping at the Embarcadero area. The main thing was that there was no development conceived. That was just too much too late.

San Franciscans also drop the ball typically on projects. They fool around too long. They don't get into a position where they commit themselves. So the turnaround that would have been part of the planning, where the trains would come down--Market Street, this was the city side--they had no provision for turning around. It was a matter of cooperating with BART and the engineering. Of course, BART has a wide gauge transit system. The streetcars in San Francisco are standard gauge. So these little matters, they just couldn't work them out. They just sat on them.

Chall: Are you saying that it might have been possible to use the BART tracks for the Muni?

Browne: Sure, they could have done so. But the idea and the engineering design on the trains in BART was to have a low center of gravity and light weight at high speed. Where the standard gauge would be more weight and probably a more risky form of transportation.

Chall: There wasn't any plan in those early days to consider going as far south as the airport?

Browne: Yes. The original plan of course was to go to San Jose. The interim period after the plans had jelled was how to get from downtown San Francisco to the airport. I was involved in this monorail project which would have taken a monorail train from somewhere around Second and Mission Streets to the airport.

Chall: So, at that point, you thought the monorail would be of some value.

Browne: It was a project which was being promoted by General Electric, among others, to solve this particular problem. It was an interesting program. They were going to use an engineering system conceived in France, which was being tested but had never really been put into full production. So one didn't know. But there was a great desire to get from downtown San Francisco to the airport.

Chall: Was the monorail in Seattle yet at that point? The monorail was

built for the fair, which was held in the sixties.

Browne: It would have been about the same time. But it was a different system. That's one of the difficulties of these transportation projects, that when they adopt a different system, they don't have the engineering expertise to make a comparison.

Chall: Did you travel around the country or go abroad to see other rapid transit systems? Of course, BART was unique at the time, but there were others.

Browne: That was one of the roles that I didn't occupy. I didn't have the time, as a matter of fact. What we relied upon was to make sure that our engineers were doing their work. They were great on reports, and the visual means of showing what was going on. We cut our expenses; we didn't try that.

Chall: That's not what's done today.

Browne: Well, I guess if it was today, that would be one of the things you'd do--taking trips.

San Mateo County Opts Out

Chall: Let's go on to what happened in San Mateo. I understand why Marin County dropped out--but San Mateo was a real problem. You worked hard to pass that measure, that bond issue in San Mateo. First they dropped out because the board of supervisors had the option of deciding whether they would stay in or not. By unanimous vote, I understand, they rejected inclusion.

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Browne: Well, it was an interesting problem, because one of the things we learned from the Blyth-Zellerbach experience is that almost every business in the Bay Area was conducted in other parts of the Bay Area. So, if you had a bank, you'd have branches in different parts of the bay; if you had a Standard Oil, or a Union Oil, or a Shell Oil station, you'd have them in different parts of the bay; a Southern Pacific in different parts of the bay. So we felt anything that was going to affect San Mateo County was favorable to San Francisco and San Francisco favorable to San Mateo County.

So, as we viewed the opposition, we were finding that people were trying to divide it up. They were having people in the communities in San Mateo County oppose things that San Francisco leaders wanted. One of the first things that we ran into was the

delaying position of Southern Pacific. They didn't come out as an organization and take any position at all, they just made sure that their yard hands and section bosses, employees and conductors that lived and worked along the way were in opposition to transit.

The other thing was developers. Bohannon [David D. Bohannon Organization] was one, and then--I've forgotten the name of the other one. Both of them were real estate developers. The Hillsdale development of Bohannon was a big item. George Keyston was the other. George Keyston was a developer. The firm had been in the investment business. They were Leibett [?], Keyston and Company at one time in San Francisco. But they had been developing real estate, acquiring it, promoting it, utilizing it, and their position essentially was that they did not want anything that would develop transportation that would take customers away from their developments.

Chall: I don't see that rationale.

Browne: Well, they couldn't see that people went both ways. There was a feeling that no one was going to be sidetracked by leaving San Mateo to go to San Francisco and shop. That would be the way they would approach it. They recognized people went to San Francisco to work, but the business had not developed; business parks had not come into being. So there was a very negative attitude, and they were very influential in the media. The result was that there was more opposition. They formed committees that would be study groups, or they'd give some kind of a pseudonym to the organization, but they were all designed just to block transportation.

So, we'd have opportunities to have a public forum, and have a presentation. I debated many times on the subject, and it was pretty hard to beat the claque which was built up in order to drown you out and to ridicule what you were saying. We had some unhappy times in trying to get through the bill. The board of supervisors were pretty well lobbied. The chairman of the board was a very nice fellow. He had no personal involvement beyond just trying to do a job. He just said, "Alan, in effect, we're against rapid transit."

The inference was they're against it because they had been told to be against it. The question of whether the people really knew it was another story. This was again a sensitive period for higher taxes, increased costs. People were not too happy about what their tax bills were. So, to discuss having a bond issue, which might require further taxation, was anti--particularly all the negative facts there.

The other aspect, of course, was the coastside of San Mateo County was not to benefit from transportation. It had the Ocean Shore Railroad way back in the 1900s, but they'd had no transportation on that side. So they would be taxed, in a sense, to provide transportation for the bayside. That was a matter of rationale. We had more arguments about how are you going to get people from the coastside to the bayside, and how are you going to provide parking, and all of these negative things were constantly being poured out.

Ernie Malloy, who was the head of R. H. Macy and Company, and ultimately became the president in New York, he and I were kind of co-chairmen on a committee to try and benefit. Of course, they had their store in the Hillsdale shopping center, as well as their downtown San Francisco store. So we did what we could, but we just lost out.

Chall: Of course, you know what's going on in San Mateo now.

Browne: Yes. There was much misinformation, and we didn't have the financial resources, and we couldn't marshall the strength of all the downtown business to support us.

The Campaign to Pass the Bonds in Alameda, Contra Costa, and San Francisco Counties

Chall: Then you still had Alameda, and Contra Costa, and San Francisco. Some time in 1962, there was the election to determine whether those three would stay in. The election campaign committee, according to Zwerling, reads like a Who's Who of the San Francisco business community. As you told me, Carl Wente, who had retired then as president of the Bank of America, spearheaded the fundraising efforts. How did he get in on that?

Browne: I asked him. We were good friends, and we worked together on many community projects. He would be the kind of person who might be asked by another member of this Crown Zellerbach committee to do something. But he'd always want to check it out. And so I would be a logical person to check out. I told him it was very important. He said, "Why don't you do it?" I said, "Well, yeah, I can do it, and I've been asked to do it, but I thought it was much more important to have a person of your stature and seniority in the community to be the leader. I've been on the firing line, and I don't think I would have the same impact that you would have."

Chall: You were already pre-judged.

Browne: That's right. [chuckles]

Chall: Of course, many of the largest contributors to the fundraising effort for the campaign were the major industries--the banks, and engineering firms, and downtown property owners. That's I guess to be expected. The Bay Area Council. I gather you raised a lot of money. I have the figure $792 million.

Browne: That was the bond issue. That was, of course, our big question mark. We were asking people to approve a bond issue which couldn't finance the total system. But the major question was financing across the bay--under the bay.

Chall: I see. That's why you went to the toll district. I didn't quite know why you had to get so many different types of funds.

Browne: That was one way, they were beneficiaries. It was a proper approach. We had to try sales tax revenue bond financing, and that was something new, because here, you know, the sales tax should never be used for anything other than those specified objects which the state legislature adhered to. They didn't want anything for transportation. So each one of these was a challenge in trying to move forward.

Chall: The $792 million, was that a general obligation?

Browne: Yes.

Chall: And then other types of financing?

Browne: Well, sales tax revenue. And we had equipment trust financing too. That was another factor. We had to break up the financing into: number one, the system, the bricks and mortar, and the other, the rolling stock. The rolling stock could be paid out of the fare box revenues, that was the first lien. So when people paid their fares, they were helping pay for the equipment. But the property taxpayers were paying for the investment. So that was the major way of doing it. And if we hadn't had that compromise on the indebtedness of the district, which had originally been 25 percent as compared with fifteen at 25 percent, we could have done the whole thing. But that was a compromise.

Chall: So then you had to resort to other kinds of innovative funding. The banks could take the general obligation bonds, but they couldn't deal with any of the others, then?

Browne: That's right. They could not underwrite, but they could invest.

Chall: Did the Bank of America come through as a large investor?

Browne: We were pretty good at investing. We weren't as successful in bidding for the securities, and I used to be amused because all of our competitors in the banking world had no part at all in the growth and development of the BART concept. But when the bonds were finally approved and were being offered for sale, they were in there with both feet. So they were trying to prove something. All that we were able to obtain out of the spoils of victory were being made the trustee and fiscal paying agent. Which was not a big item, but it was one thing.

Chall: That's all you got out of it?

Browne: Our name would be on the bond, but not the underwriting fees. No, every time the bonds came up for sale, there was very heated competition.

Chall: In the course of these years, you had worked with Mayor Robinson, and I guess George Christopher, and John Houlihan [mayor of Oakland]. What about Mayor [Joseph] Alioto?

Browne: Mayor Alioto and I had limited contact. I think my contact with the mayor was when we were involved in doing the Candlestick Park financing. He had come in as a replacement--see, John Shelley had been mayor and John and I had been good friends for a long time. And Elmer Robinson and George Christopher.

Chall: So it was really Robinson, Christopher and Shelley, the mayors you had worked with on the BART project?

Browne: Right.

Chall: And John Houlihan across the bay. Were you in contact with these people quite a bit?

Browne: Not so much with Oakland's mayor. I had more contact with--I'm trying to remember the name of the general manager who had been a newspaper reporter for Joe Knowland, who became the manager of the BART district.

Chall: Oh, Bill Stokes?

Browne: Yes. Bill and I had worked together in the state legislature. He was just a reporter. He was doing his job for the Oakland Tribune, and so I used to work more with him. He was more or

less representing the Oakland picture.

Analyzing the System and its History

Chall: You said in your material that you helped secure the services of John Pierce, who had been the state director of finance, to become the district's first general manager. How did you do that, and why was John Pierce important in this picture to you?

Browne: One of the major concerns about the establishment of a new unit of government was to make sure that it would function within the knowledge and limitations of what the statutes were. I was concerned that we might have a general manager who would be a political appointee or a person from the business world who really did not know the budget process and the steps of the state legislature in getting things done. So I thought John Pierce would be an extremely good person for this.

I only supported him in this role as an interim person, because I felt sooner or later the general manager had to have an engineering background, which John didn't have. But as a finance man, and as a man able to deal with governmental restrictions, he was excellent.

Chall: But Bill Stokes replaced him. He wasn't an engineer, and he wasn't a finance man.

Browne: That's right, and I thought it was a mistake.

Chall: I see. You didn't have anything to do with that appointment?

Browne: No. I just didn't think he was the person for that position. That was where it was split, between doing it from the professional engineering standpoint of an operating transportation system, or running a governmental entity which was not involved in engineering, but just making sure that the store was being well run.

Chall: Stokes really was responsible for a great deal of what went on in the development of BART, or so it's claimed. And he's also blamed for all the errors.

Browne: Well, he was a good man, and he did an excellent job. Except I think in this area he was a little over his head. But unfortunately, like the other instances, someone was always trying to make an excuse for someone else. It was as easy to

blame John Pierce, or John Pierce to blame Stokes. I knew them both, having worked with them, having a role in their selection--not so much of Bill Stokes. I was fine with Bill on the other side of the fence, but not from the engineering standpoint. So that's one of the things they ran into; they did not have an engineer. Hoover, who I think was the man who was [in the position as] the engineer, was not an engineer. And that's why BART became a problem, because they had no one on their staff that could review the work being done by the engineering consultants.

Chall: Was this an oversight? Why couldn't they have gone out and hired somebody? Some other engineers around.

Browne: Just an oversight, as far as I'm concerned. He was a perfectly nice individual, and I'm sure he could report adequately, but when the tough decisions were needed, in an area where you were really embarking on a new concept of transportation, you needed someone who could do that. And I would certainly have felt the consultants would have been much more comfortable had they been able to have suggested and recommended to the BART board. But the BART board, you see, had changed from the concept we had of having essentially retired, experienced people to mostly political appointees, and those holding public office. They were not professional in the sense that they could run the business.

Chall: I see. So the board itself was not well enough informed as a board to know whom to hire and what kind of persons needed to be on the job and on staff?

Browne: People who will seek political office, it's a question of what goes with the job. You have the problems of the Golden Gate Bridge and the Highway District board, and the AC Transit District, where they're all infighting on things which should be handled by professionals.

Chall: Well, one last question on this. Your last sentence in the BART material you gave me, says, "The recent article in the Fortune magazine of September, 1970, gives more details of BART's history, but does little justice to those who really put BART on the track." I wondered if we'd left anybody or anything out of this story, so that we can put them on the track, on tape.

Browne: Well, typically of the articles that you read on BART, and particularly any project after the fact, there is a certain amount of glossing over detail or not doing the research work. I basically felt that those who had really worked hard to put the BART concept into being were generally overlooked. They're not given name identification. George Christopher is a person who

was very much involved in this. He, of course, followed Elmer Robinson, but he was the one who had to make decisions, and he backed them up. He was a person.

Marvin Lewis has had a fair amount of publicity, but Marvin is a trial attorney who retired. I helped dedicate his plaque in a BART station last year, but he's an individual who was very good. Cyril Magnin was involved in this at one time, on the board. There are different people that served on the board that had an impact. Jack Beckett and Clair MacLeod, others like that who were in at the beginning.

Chall: In the early commission.

Browne: That's right. Because we're the ones that made it go.

Chall: Have you been pleased? Do you ever use BART?

Browne: I use BART every time I go to San Francisco, as a means of convenience, and also I like to see how it's running. I am still concerned that they have allowed themselves to become traumatized by the political process, that the ability to have competent, experienced people has been limited.

One of the things we started out on was to make sure that you paid the members of the board so much for their meetings, but the officers were on a graduated scale. We didn't feel it was a place you'd make a lot of money, but we thought we'd get the benefit of retired people that could devote their time to this, and be compensated for it--make it worthwhile and a real challenge. I still think that's possible. But the gerrymandering approach to representation; I don't think it solves the problem.

How do you solve an engineering problem when you're, say, a schoolteacher, serving on the board? Or you're a dentist serving on the board, as the case may be. Or a member of the county board of supervisors? You're again a political appointee, an elected person, but not necessarily fully informed on what you should know.

And financing, that's the thing I hung onto, was making sure that the financial problems could be addressed and anticipated. Not just push aside the problems about where the money was coming from to make BART work. Now they're trying to make sure that so much money goes into the fare box, and if you want to get financial support beyond that, then you have to make certain changes, like increasing the fares. Those are the things that you have to be on top of. And now, with the complications of

trying to put in a new control system, that's expensive and time-consuming.

But generally, it's the individuals who really started the machinery rolling that are overlooked. I could read any number of articles about major projects that are forgotten in the passage of time.

Chall: And you were in at the beginning.

Browne: Pretty close. One thing which is important is that when I was not serving on the committee, I was chairman of equivalent committees that were doing the basic work in the chamber of commerce. So that was possible for me to keep informed and to keep the chamber of commerce at a level of support which they would not have otherwise given.

Chall: Did you get the support of the chamber of commerce ultimately, or at once?

Browne: Well, I had no problem with the chamber, even though we had some divisions, because some members of the chamber board were on the opposite side. Incidentally, there is a silver cigarette box over there with the signatures of all the members of my board of directors of the chamber of commerce. So you'll have to look it over. There are some interesting names on it. But they were great. We really carried the chamber through. We were ahead of everyone. We were really gung-ho for having BART.

Chall: Did they help sway in any way the Blyth-Zellerbach committee?

Browne: Oh, yes.

Chall: Just because they had enough prestige?

Browne: They had their own representatives. We'd have people from Blyth. Arthur Dolan, for instance, who was on the BART board. He took my place in one committee or another, but he was a member of the Blyth organization. No, there were any number of individuals that were able to perform in that capacity.

The Southern California Rapid Transit District

Chall: Well, maybe we covered what we can of BART. While we're on rapid transit, did you want to talk about Southern California Rapid Transit District? I know you had some kind of a role in that,

because someone wrote you a letter when you retired about remembering the interesting times you had together on the Southern California Rapid Transit District. Apparently there's more to that story than we have here.

Browne: The interesting story about BART and the Southern California Rapid Transit program was that legislation was introduced in the state legislature at almost the identical time for the Southern California program. But they went a different route. They're still struggling, because they did not make their decisions. I was somewhat involved in this as we were progressing on our BART program. I would be asked to speak or participate or in some way add my good thoughts about how southern California could do it.

But the southern California approach was a little more involved. Ralph Merritt--the name may or may not ring a bell--but Ralph Merritt had been comptroller of the University of California. He preceded Robert Gordon Sproul. He was a neighbor of ours in Berkeley. He was involved in National City Lines. And National City Lines, as you may or may not recall, acquired an East Bay transit system. And they also acquired the Los Angeles transit system, the bus system. So National City Lines had their foot in the door.

What they were trying to do was to convert the rail transportation, whether it was streetcar or train, to buses. That was what the L.A. system was designed to do, was to create a bus system. The old Los Angeles railway system was a narrow gauge system, which was part of the Southern Pacific, and then there was the Civic Electric, which were the big-rig cars that used to run all over, that was part of that.

Ultimately, I worked with Ralph Merritt on many ideas that could be advanced in terms of converting the transportation system from the transit authority. It was the transit authority, and it could issue revenue bonds. The only thing that you could issue revenue bonds for was something that was in being. They just didn't have that. So I said, "You know, you've got to go the other way if you want to do this." So they figured out how to do it. They went to the sales tax approach, and whatever. Through my continuing efforts, I was trying to help them finance their problems, and to guide them along our route.

But they had comparable opposition: the Southern California Automobile Club was a typical example. Most of the financial institutions in southern California had members on the board of the automobile club. They were in opposition. Of course, we were moving forward and made progress, and Los Angeles was still struggling.

Chall: Did they actually ever form a district?

Browne: They ultimately did, but you see, during this period, it was still an authority, no district.

Chall: Now, I think, they are building a subway under Wilshire Boulevard. I don't know just where else they're putting it.

Browne: Well, the original plan was to run a subway from the San Fernando Valley to Long Beach. And then they were going to grid it, so there would be crosstown connecting lanes. Because the land is essentially flat and is not too difficult from a geological standpoint, they could just dig ditches, and build their subway, and fill in. They didn't have to go through any hard rock of any kind. But they had the same problem of different kinds of transportation, and the only big headache they seemed excited about was going through the La Brea Tarpits. They figured, "How are we going to get our subway going through the La Brea Tarpits?"

But I used to meet with the mayor and members of his group. They were all in favor of this, but they couldn't break that--

Chall: Because the Los Angeles metropolitan area is so big and so divided into so many communities--you know how hard it was to get nine; you ultimately got three--it would be more difficult, I suppose, to get all of those other communities involved and accepting of the transit plan. I don't know if they have yet.

Browne: I don't think so. In the professional world, there are any number of organizations--

[Interview 6: July 19, 1988]##

Chall: What do you have on your yellow paper?[1]

Browne: There are three file boxes. This is material I resurrected and dug out for you. This is quite a lot of interesting background information. Now, to explain. In my office experience, my secretary would have a file copy of correspondence I would be sending out. She would probably have more than one file according to the subject material. There would be general correspondence. There would be in-house correspondence, and there would be other special subjects. Whatever would go into

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[1]On yellow-lined paper, Mr. Browne had listed the contents of each of three cartons of papers. At the end of the interview session, he and I carried them to my car. His collection of papers has been deposited in The Bancroft Library.

the files would include [inaudible] to the correspondence, if that was it. Obviously, as I accumulated material over the years, I would bring things home for reference purposes--usually extra copies. When it was necessary to develop something, why I would probably have a little more material.

But at the time I departed the bank, obviously I couldn't bring very much with me, other than basic things that I had. So there is a gap. So, you'll see copies of outgoing correspondence, relatively continuous, but there's not very much to show for incoming, because that would have been in the big bank files.

Chall: That's quite a bit. And that's all stored at Bekins?

Browne: No, they're just little file boxes.

Chall: Why does it say Bekins number one?

Browne: That was because that was the owner of the box originally.

Chall: [laughs] Oh, I see.

Browne: We use them for transporting our worldly goods, and I just call them Bekins.

Chall: And where do you have all this stored?

Browne: Three little boxes in my locker.

Chall: Amazing what you can store.

Browne: You will find correspondence going back to the early 1930s, Bank of America, Bankamerica Company, chamber of commerce, various activities. There's one three-ring binder which includes material relative to the bank's "famous" debenture offering, and it includes minutes of the money policy committee--that period of time--and other material which was used in-house to further the sale of the debentures. Then there's another little group of material which indicates appointment to committees and some of the specifications of the committees. So you'll have some information.

Candlestick Park: San Francisco Stadium, Inc., 1958-1970

Chall: The debenture is what you were upset about in 1971? Okay. Well

today, as I think I told you the last time, we were going to discuss Candlestick Park and water issues. And if we can get to it--and I don't think we have to deal with it much--being president of the San Francisco Chamber of Commerce. So, we'll start with Candlestick.

I'm going to start with 1958, when you became active with Candlestick. There is a great deal of material available on Candlestick in the press and elsewhere, and of course you have a lot. There was a $5 million bond voted in 1954 to build a stadium, and you got into the act in 1958 through I guess it was Controller Ross of the San Francisco City and County. Tell me how he happened to pick you, and who else was on that committee that set up the financial plan?

The Background: The Giants, Charles Harney, and Selection of the Site

Browne: Well, Candlestick Park was a dream without any real idea of what might happen. When the voters were asked to approve a bond issue, it was for $5 million, and there was no assurance that the City and County of San Francisco would receive an offer from a baseball team to transfer there. They had no idea where a stadium might be constructed, and it was just hanging fire.

So the mayor appointed a citizens' committee. Really, it was a small group of advisors who were afficionados of baseball and started a lot of negotiating for a baseball team to come to San Francisco. The Dodgers and the Giants were the two teams which were the targets. They were anxious to get out of New York City. The facilities were dilapidated, and they were having problems with the financial support of the team.

So, the Giants was the team that elected to come to San Francisco. And in the negotiations between the ad hoc committee--I guess you could call it--and the Giants, there were various things which were agreed to in a deal with Horace Stoneham. One of them had to be a baseball stadium. Stoneham had his general specifications on the seating capacity, and other minor details.

The question then was: the franchise would be transferred to San Francisco, but where would the Giants play until a stadium was constructed? So they agreed to use the old Seals stadium while the baseball stadium was constructed. The mayor--

Chall: Was that George Christopher at that time?

Browne: Yes. The mayor had his committee review sites for the stadium, and presumably they covered half a dozen obvious ones. But ultimately, the reason that the Candlestick Park stadium site was selected is the relationship of Charles Harney, who was the contractor, and best noted for his construction like California's freeways. He was a great earth-mover and builder, and quite a personality. His headquarter facilities were in San Francisco down there in the old Southern Pacific freight yards.

Charlie had been working with an architect and had worked with an engineer, and they conceived the idea that where Candlestick Park stadium is was a perfect site. The engineer and Harney had been buying bonds--I won't say bonds, I should correct that--they were buying property. The Candlestick site had been subdivided for real estate development in the 1870s and 1880s. As a matter of fact, most of San Francisco's shoreline had been subdivided. And over a period of time, it was almost submerged. People bought it in land speculation, and ultimately the property was sold to the state for taxes. They were acquiring that. So they had title to a good deal of what was Candlestick Park stadium.

They conceived the idea that they could fill in that area and develop it first as an industrial park. It had nothing to do with baseball. But ultimately, the idea was to use it for a baseball site. So that's how Harney got into it, and he and the architect and the engineer were really a troika, with building development very much in mind.

Well, anyway, that was the selected site. There was no competition; we decided that would be it. And the beauty of the deal from Charlie Harney's standpoint was the ability to have a one-bid contract, without competitors bidding from other sources. So he included in his contractual arrangement, and this would have been with the city, the land acquisition, and then the construction of the stadium, including the filling in of the land. He would also provide the various [inaudible] that also would be necessary for completing the stadium, rather than having individual bids for each part of it.

Financing and Building Gets Underway: Solving Many Problems

Chall: Now, had that been decided by that initial committee of Harney, his brother-in-law, and someone else, before you got into it?

Browne: This was all in the process. It was up to the point. What I

really got into was on financing.

Chall: I see. According to the newspaper that I have here, the first board of directors was Charlie Harney, his brother-in-law, C. J. Carroll, and his executive vice president, Joseph Sylvestri. Then they were replaced by Browne, Frederic Whitman, and Fuller Brawner. With all the decisions about financing, and building, and the site all being decided at approximately the same time, 1957-1958, you came in on financing only?

Browne: Right.

Chall: Without knowing where it was going to be built, or what you were going to give Mr. Harney in return?

Browne: No, that's right. The final decision was made, to use the broad term, by City Hall. The question of financing came up, and the City Controller Harry Ross was very concerned about the method of financing, because this would mean authorizing an indebtedness which was not approved by the voters. And he was sensitive about anything that had the name San Francisco on it. It had to be of top quality, so that it would not impair the credit of the city.

Working with George Herrington of Herrington, Sutcliffe and Orrick's office, they conceived the idea of creating a nonprofit corporation under the California nonprofit public benefit corporation law. The deal was that they would create a corporation, which would, in effect, be in lieu of the City and County of San Francisco, acting for them, without the restrictions imposed by the city's charter. And in the financing, they'd have to have a board of directors, and have the power under the act to borrow money to acquire and construct facilities. To get the ball rolling, Charlie Harney and his associates formed the first corporation. They were doing a conflict of interest, and so the controller wanted them out. So that was the reason why the mayor's office spoke to me and Harry Ross, and the bank approved the idea that I serve in this capacity. So I became the president.

Chall: I see. Who picked, and why, Frederic Whitman and Fuller Brawner?

Browne: These were recommendations of the mayor's office, and in consultation with George Herrington, to get individuals who had a community identity that would lend some creditability to the program. Fuller Brawner was head of the Fuller Paint Company. They were liquidating their assets so he was in semi-retirement. Fred Whitman had been president of the Western Pacific Railroad, and he was going through the same thing. So we had that as our basic organization.

Chall: How did you get along as a troika--yourselves, your three-man group? You had some very serious problems to consider. Were you generally in accord through all the crises that you had to meet?

Browne: We were very much in accord on almost every sensitive issue. My fellow directors gave me carte blanche to proceed as I saw fit, subject of course to having appropriate legal advice.

Chall: Was George Herrington your attorney?

Browne: Yes. George Herrington was the outstanding municipal bond attorney in the United States. He was extremely effective in utilizing the nonprofit public benefit law for local municipal development.

Chall: Well, you certainly had a lot of freedom under that law, because you were able to float bonds without a vote of the public, weren't you? And you did.

Browne: It happened quickly. The normal process for a bond issue is you have to conceive the issue and decide the extent of the improvement and the cost of it, and you ultimately present it to the voters, and if approved, then after a reasonable period of time, the bond would be put up for public sale. You had public voting and public sale. In our case, we had no public voting, and we arranged the sale.

Chall: That's right. Also, let's see, there was another route. You didn't have to go out for bids. Was that part of it too?

Browne: Harney really capitalized on that without competitive bidding. He used subcontractors of his own choice, but he wasn't competing with them. They were conforming under his contract.

Chall: Did you as a committee have to check those contracts? The subcontracts? Did you have any kind of assurance, whatever you have when you go out to build your own house, or you build a bridge, or a freeway. Generally these contractors are bonded or under contract in some way, and they have a certain amount of time to complete a project for x amount of money. I gather that that wasn't entirely the case here?

Browne: The challenge was there. First of all, the Harney group included the architect.

Chall: That was John Bolles.

Browne: That's right. And then they had their engineer.

Chall: I don't think I have his name. Do you have it?

Browne: I'll have to think about it. It's in some of the material there. But he was not an engineer for the construction; he was just an advisor. John Bolles was the architect for the structure. When it came to using the City and County of San Francisco's money, and in turn the Candlestick Park money, we had to go through various channels. First of all, we had approval of the expenditures from the controller's office. I would issue the checks and submit them with a voucher to the controller's office for approval. That was new, because they really hadn't developed a procedure for this.

Number two, the question of reviewing the construction bids, the work being processed, and the details of the specifications, fell into the lap of the city engineer, and the park and recreation department, because it was part of their facility. That really was not too satisfactory. We ultimately employed an outside organization to review all the work, Moran and Company. This was a specialized field of theirs. So they worked with the city engineer, and they worked with the contractors, and reviewed and made many changes. One of the most significant changes took place later on, when they were having movable bleachers to convert the stadium to football. They came up with the method for doing it.

But they were double-checking it, and saved the corporation and the city a good deal of money by virtue of looking over these various activities. The city staff did not have the manpower to do the job. Therefore, they weren't fully qualified. And there was always a question mark as to whether some of the work being processed was of top quality. They found many instances where Charlie Harney was cutting the corners a little bit, and had to blow the whistle on him.

Chall: You did catch most of those, you think? Because I know you criticized him; he's been criticized a great deal.

Browne: We caught a good many of them. Of course, Charlie Harney pulled out of the contract.

Chall: Yes. How did he do that? Was that shortly after he didn't have his name used? He wanted it to be called the Harney Stadium. They claim that when it didn't become the Harney Stadium, he became very disillusioned, and after that he didn't really do much.

Browne: That wasn't really the story. The answer was that his

organization pulled a boot. They didn't compute into his bid the profit. So it was a struggle there to readjust. He was well known for his handling the state contracts of making adjustments in his bidding, and getting amendments to it. In this case, it looked like that was what he had in mind. So we found the only way in which this thing could be handled was that they had to reduce the size of the stadium to save the few million dollars which had been kind of dropped in the block someplace.

Chall: But he was going to receive--I've seen the range from $2.7 to $3.3 million out of construction. There was a special, I guess, bond or lien, is that what you call it--? But he wanted more, is that it?

Browne: He had to have more. The original idea, as I recall, when the nonprofit corporation bonds were issued, they were a series A and a series B. The series A were first lien on the revenues as it specified. These were being sold to the public, and they were handled by Blyth and Company as underwriter-agent for the corporation.

The series B bonds were to be split as part of the fee or entirely the fee for the engineer, the architect, and the contractor. So they had the second lien bond issue. So that was being paid as a fee and was paid according to the progress in the work. Of course, the great question mark is: we would term them income bonds, meaning if the income was there, they would pay interest and ultimately principal. If the income wasn't there, it wasn't paid. So in effect, they were gambling on the potential success of the project, and accepting this for their fees.

Chall: Well, let's see. They didn't start working on the stadium until September '58, which was several months after they were scheduled to begin. And then by December, which isn't very much later, Harney was saying that he would have to stop construction unless he was given an extension to complete it. So it really didn't take him very long to ask for more time and, I guess, money. And Alan Browne is quoted in the paper as saying that you had refused three times to allow him to get it. Browne says, "Harney probably will not get it. We're not going to be browbeaten."[1]

Browne: That's right.

Chall: So, he didn't get it? Or he did--?
Browne: Well, he capitulated.

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[1]San Francisco Call-Bulletin, December 3, 1958.

Chall: Now, John Bolles about that time said of Harney that, "He bit off more than he can chew." Some people thought, apparently, that the extension was being requested so Harney could force changes in the plans, and Browne says, "Harney has been trying to knock out a lot of things to cut down the total cost." So, it didn't take very long before you were in a brouhaha, as it were.

Browne: Well, the one thing, the original design for the stadium was it was going to be double-decked, fully in circumference. The idea, as the Giants had indicated, they would be comfortable if they had a 15,000 capacity for baseball fans. To cut back the cost, it was necessary to redesign part of the stadium, so they cut out some of the double-decking in the outfield area. That ultimately had to be changed, where originally to cut down costs that was done.

Chall: What about the feud between Harney and Bolles? Did that have a serious effect on your ability to get on with the building?

Browne: Actually, I think the feud was more of a facade. It really wasn't a serious feud. There were differences of opinion. John Bolles was well known as being the City Hall type of architect. He could obtain architectural contracts from the city, because he played it politically. Harney had been playing almost all political angles he could to become the contractor that he was at the time. Both of them kept back and forth. The corporation, my directors and myself, were sort of in between. We had to rely on first legal counsel and then the review process, and ultimately we faced Harney with his desires and demands. He had his own attorney that came into being, and we had to deal with him.

So frequently, they were at odds. I don't think there was any real problem between Harney and Bolles, on architectural design. I think it was just some of the details and their own inner workings.

Chall: Well, I guess as you had to cut back, that would change the plans.

Browne: That's true. It's substantial, because you see the stadium was being built on one part, which was solid ground, and the rest of it was filled ground. The filled ground was on top of what was basically mud. To have foundations to hold the weight of the structure of the stadium, particularly the pylons for the lighting process, they had to go down to bedrock. So there was always a question mark about the stability of the stadium based upon the weight. And they had to design it in order to provide for earthquake improvement too.

Chall: All of which hadn't been anticipated when the plans were drawn.

Browne: They anticipated that. The only thing the plans did not anticipate which kept bobbing up--there had been no meteorological studies or surveys. So in terms of the impact of the location and the wind blowing through there, which has been an irritation for so many people, that had not been checked out. They had the other unfortunate thing too: the action between the salt water and the garbage created some very unusual odors. This was caused by the scavenger company that was filling in land in the nearby area across which the Bayshore Freeway went. That was an irritating matter which ultimately was taken care of by this filling in. It was pretty tricky for a while.

Chall: I think as time went on, they realized they hadn't done quite right by rust-proofing some of these underpinnings so that the salt water began to corrode and rust some of the steel.

Browne: Another thing too which was interesting and isn't often mentioned: the parking lot towards the bayside, and the next body of water to the north is called South Basin; there's a lot of turbulence there arising from the spring water. That's the source of Mountain Springs water, which is right adjacent to Hunter's Point. The source of that water--some say it comes from the Sierras, some say it's part of the underground supply. But because of the turbulence, they'd have little geysers popping up in the parking lot. The pressure of the water just popped through the macadam. They had not anticipated that, and it's still there.

But all of these things might have been dealt with more effectively had there been more time taken to check them out. But there was such a demand for a baseball team, and the baseball team wanted to be located, that a lot of these things were just shoved aside in the name of expediency.

Chall: Was your committee aware of this? You were really the corporation, a nonprofit--and that thirty-five year lease is in the name of this nonprofit corporation. That corporation really owns the stadium, in other words. Is that right?

Browne: That's right. They have a relationship which is frequently used in municipal government, it's a sale and a lease-back. In order to set up the machinery creating the nonprofit corporation, to arrange the financing, it had to be accomplished that way. Then there was a trade-off too, because the city was going to sell its $5 million--[conversation ends as tape is turned. Another

conversation begins].

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Chall: --so the state lands commission--it was underneath the water.

Browne: They had taken title to the land, and so San Francisco owned some of the land, the state owned some of the land, and other land was owned by the developer and his friends. It was a question of working it out. So there had to be massive shuffling of title of property in order to accomplish the clearance of this particular piece of land.

Chall: If it were being built today, I doubt you'd get a permit from BCDC [Bay Conservation and Development Commission].

Browne: Well, one of the things that Charlie Harney did to protect himself--he really was very stubborn--he actually had a bulldozer crew on the scene taking soil from the nearby hill, which was San Francisco property, and shoving it into the bay. It hit the mud, and just kept going. So finally, he had a contractor build a freeway which would have been called the--no, it was an actual expressway--it was called the Hunter's Point Expressway. This was going to be equivalent to the Bayshore Freeway, running from about the channel on Third Street past Candlestick, and end up somewhere to the south of it. There would have been a tunnel through Hunter's Point, and go--.

So Harney had the contract for part of that, so he used that as a bulkhead. He built it up so then he could build Candlestick on one side. The Hunter's Point Expressway was never completed. But it was one way that he solved his problem of losing all the soil. He was just shoveling it into the bay.

Chall: I guess he owned what was called Candlestick Hill, or part of it, so he just removed the top.

Browne: He did it. He started even before there was a contract signed. So legally, he was in question.

Chall: He must have been a really tough entrepreneur from the old school, old-style school.

Browne: He was a fascinating person. I enjoyed his individuality. We worked well together, except when I didn't agree with his decisions, he got upset. He threatened so many different things. I had to respond to them and I couldn't be pushed around. The worst handicap he had was when he agreed to arbitrate the differences, and we set up the arbitration panel, and all participated in it. And when the panel rendered its decision, it

was contrary to what Harney wanted. Even though he had agreed to accept the decision, when the arbitrators ruled against him, he wouldn't accept it. So we had that problem.

Chall: Well, eventually after he died, his estate, in 1963, was awarded $400,000. I thought that this was a result of his suit for $1.5 million that the extra work cost him. What was that $400,000 a result of?

Browne: It was a result of the arbitration. To explain this, Charlie Harney had refused to accept the arbitration award. Given the passage of time, he passed away. And his attorney happened to have been a teaching fellow at the University of California in accounting--we were good friends, and we knew each other.

Chall: Who was that? His attorney.

Browne: I can't remember his name. But in any event, he said, "What can we do to settle this, because we have to settle Charlie Harney's estate?"

I said, "Well, the only way I can see to clear it up is to accept the arbitration award."

Chall: And the arbitration award was $400,000 originally?

Browne: Well, that was only part of it. See, we had to take care of Bolles, and others. That wasn't very much money out of it, but there are other things which had to be done that would clear the air. So that was agreed to. I just did it on the phone, and we took off from there.

Chall: You had a lot of power yourself, a lot of authority, obviously.

Browne: Yes. I wasn't playing baseball, though. [laughter] I was trying to get the stadium to come into being.

Chall: Everybody was gung-ho for that stadium. Did you have any relationship with Stoneham and other people involved with the management of the team in order to get this all out of the way?

Browne: Well, we had to deal with Horace Stoneham as part of the contractual arrangement. I found working with Horace Stoneham was a very pleasant experience. He was an attractive person. I enjoyed his viewpoint, and he was a gung-ho baseball fan. The family's sister was there, and I still exchange Christmas cards with him. Way back--and I guess it was his brother-in-law or son-in-law--was Chub Feeney. He was really running the day-to-day operations for Horace Stoneham., Of course Feeney left to

become president of the National Baseball League. It was only last year that he retired from that, and became manager of the San Diego Padres. I have continued to keep in touch with Chub Feeney, too.

Chall: There are people who feel that when Stoneham decided he was coming to San Francisco, there were certain things he wanted--the size of the stadium, the size of the parking lot, and all the other amenities--and that of course created problems right away. Except I guess for this Candlestick area, there really wasn't enough land or access to all that he required. And then it was cut back, apparently.

Browne: A question mark always was the available space. Some of the space which should have been reserved for parking was allowed to go into other hands.

One of the things that I've had to explain on occasion was how was I compensated for this activity? I only had one answer to it, and that was that I did receive annually from Chub Feeney a pass to all of the National League baseball stadiums for their regular season. I had a pass for two. Myself, and a companion. They sent those to others, and I found it was interesting. I used it on a few occasions, but having a pass isn't like being guaranteed a box office seat. They let you into the stadium, but you'd probably get into one of the lowest-cost seats.

People said, "Is that all you've got?" I said, "Yes. I can't give you any value on it, but that happened."

Chall: Did it take a lot of time? Did you meet as a committee of three frequently?

Browne: I tried to keep our meetings to about once a month, and more frequent if they had documents that required signatures, and there were a fair amount of documents. It was very easy for Fred Whitman and Fuller Brawner to come, because they were not too far away. I could see them frequently at lunchtime. Sometimes there was some business transacted other than just pure friendship and pleasure.

Chall: Did all three of you have to sign documents?

Browne: Some of the documents required the signature of all partners. Essentially, I signed the basic documents. Normally, we'd have our attorney, George Herrington, present to deal with this.

Chall: Somebody like Herrington would have to be paid, wouldn't he?

Browne: Yes. He was paid.

Chall: Out of those various bonds that you floated, or how?

Browne: He would receive a fee as bond counsel for the corporation. He would receive a fee as house counsel for the corporation. He would receive a fee as bond counsel for San Francisco.

Chall: So he could be paid out of the city treasury sometimes.

Browne: That's right.

Analyzing the Costs; Attempts to Solve Additional Problems

Chall: There are--I guess it depends on how you look at the details on finance, but I have one news clipping here, dated Tuesday April 12, 1960, when the park was officially open, which brings the total cost of the stadium to $15,604,882.50.[1] And then, there is George Christopher's report on construction and financing, which he wrote in 1982. His figure was used quite often. This was when they were thinking in 1982 of building a new stadium. His total cost of Candlestick is $11,025,000.[2] There's almost a $4,000 difference here. But he leaves out the initial $5 million bond issue. It looks like we're actually occasionally adding apples and oranges, but it may have come to about the same thing.

Browne: Well, the interesting point on San Francisco--the share of the financing. First there was the $5 million bond issue.

Chall: Yes. Which was a figure I understand sort of pulled out of a hat.

Browne: That's right. Then in order to bring the stadium on line, as you might say, that was to provide streets, sewers, gutters, and water, the controller used funds from various bond issues which had not been fully expended, and moved that in.

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[1]Bucky Walter, "Candlestick--Dream Come True," San Francisco News-Call Bulletin, April 12, 1960:33.

[2]George Christopher, "Review of the Acquisition of the San Francisco Giants Baseball Team; Decisions on Location of the Stadium; Construction and Financing; General Comments Pertaining to the Candlestick Park Project and Proposed New Stadium," September, 1982, page 21.

And then I had another chance to be helpful, because when it was expected the stadium would be opened for the play-off series, there were several things which were lacking that were needed. The seats weren't numbered or lettered, and the foul line poles were not installed. Several things like that. This was a must, because it would have been completely confusing, having people come into the stadium who didn't know where to sit, because they could not find where their seat was; they had a ticket with a number but no seat.

Chall: Is that because Harney backed out?

Browne: Yes.

Chall: He really and truly stopped building?

Browne: No, these were things he just said weren't in his contract.

Chall: I see. So you had to find some way--

Browne: So what I did was I got the bids together, and I tapped our working capital fund. Not the principal. But I was responsible for the investment of the money, so I took the earnings and used that to pay these bills when it was done. Unfortunately, I ultimately had a problem with the bank's trust department, who were the trustees for the funds. They wanted to change the investments; they wanted to liquidate the holdings we had which were treasury bonds, and invest in long-term treasury bonds. And I said, "No way." I really had an argument with them. I just finally said, "This is not going to happen, you're not going to do that, you're in trouble." Fortunately, they finally acquiesced to it, and that's how we were able to do it, because the value of the bonds was going down. So that was the way it was done. I tapped the investment income. I made sure, of course, that I wasn't taking anything away from the project and the contractor. That was the way we did it. So it was reinvesting in the facility.

Chall: Well, that's what may bring the figure up to $15 million, then. George Christopher doesn't have that in his list.

Browne: Harney had other things, you know, and they really were troublesome and cost money over a period of time. The Giants, and typical of most baseball organizations, were very, very concerned about the grounds. They have to have a well-drained ground, they have to have a proper turf, and they have to have all these things which make a difference in the baseball's life. Where the lines are, if you're going to hit a home run, you have to have it within the ballpark, but they can move things back and

forth.

Well, they found out that Charlie had just dumped debris in the fill. There was rock and concrete and the rest of it. So it wasn't properly drained, and it wasn't right. So that had to be replaced. And then when it came to the sod, he had a ranch somewhere down in the San Joaquin Valley, and I guess there was a fair amount of fertilizer produced from the livestock, and he used that for fertilizer. And obviously, you know what happened, instead of being clear and pure and free of weeds, it was all filled with weeds.

Chall: He was a creative man. [laughs]

Browne: And then, he junked the elevator. There was supposed to be an elevator that was to take care of incapacitated people, and also to help the purveyors of food and beverages and so forth going back and forth. He had one, he bought one second-hand, but he refused to install it. So that was left out. And oh, there are other things that were very irritating that he interfered with.

Chall: And altogether, it's a wonder that it worked. But there was a great deal of media about it. Charles McCabe of course just took him to town repeatedly. I found this in your material--this was the News Call Bulletin sports writer Bucky Walter, April 12, 1960, and it's just full of hype; it's absolutely marvelous. [laughs][1]

Browne: We were pretty good friends, but he gave me the business because I wanted to raise the parking fee.

Chall: This fellow, Bucky Walter?

Browne: Yes.

Chall: Well, it's really a wonderful story. I'm sure that everybody was just so delighted, they thought it was the greatest--the dream come true, and of course in a way it was. It was the first and only stadium of its kind. It's like BART, building BART, there's no model. You just try it out and see if it works.

Browne: All I could get out of John Bolles was that the design was based on the Bull Arena in Madrid, where they still have their bullfights. John was a very interesting person. I got to know him better over the years, and he was really not an architect in mind. He was a frustrated archaeologist. And so he was very

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[1]"Candlestick--Dream Come True."

much interested in the construction of ancient buildings, and that entered into his design. But that was really a story. He just loved to take off to the wilds and dig things.

Chall: Well, if it could have been put perhaps in a different place than Candlestick without the problems that they had with wind, and parking, and cutting costs of all kinds, his original plan might have been better than it presumably turned out to be.

Browne: Yes. The most irritating thing he came up with was heating the stadium. I don't recall whether this was a failure on the part of Harney, but anyway we could not get the board of supervisors to approve our going ahead without doing something about the heating. It was too late, but they proceeded to put in the steam pipes underneath the stadium seating, and they used a boiler to produce steam to heat. The supervisor was McMahon, I think I mentioned that--

Chall: Oh, Clarissa McMahon?

Browne: Yes. Her mother liked baseball, but she didn't like to go out and get frozen by the cold, and therefore this is why there had to be a heated stadium. So we put these steam pipes in, and they cranked up the system, and it took maybe two to three days before there would be any feeling that there was any warmth in the air, because it had to go through the concrete. Because the pipes were below the concrete. The seats were here, and here was the concrete [gestures]. So that was stupid. Ultimately, the thing was just discontinued, and I guess it was torn out.

Chall: I had read in some of these accounts that it didn't work because there was a very heavy layer of concrete poured over them, and I just wondered how come that was--didn't they understand--did they need that heavy layer of concrete?

Browne: No, it was done afterwards. They put the pipes in afterwards.

Chall: They put the pipes in afterwards, and they didn't realize that the concrete was too thick to accommodate--?

Browne: That's right. It wasn't porous for heating purposes. It was very costly, and the use of energy to heat up the place was just wasted.

Chall: Do you think that really was Clarissa McMahon's mother who --?

Browne: That was the story we got.

Board Concerns After Candlestick is in Use

Chall: [laughs] That seems like a slim reed. Well, you got it done, and then you continued to stay on. Your board just remained together.

Browne: Right. We had several things which became a question mark; one of them was insurance. That was a tricky area. The concern was being sure that the corporation and the directors were insured against any possible action, because I was being sued continuously by individuals and organizations that didn't like what was going on in the stadium.

Chall: Is that right? So they could sue the board members individually?

Browne: Oh, yes. I was being sued if someone was hit with a baseball, or someone was hit with a broken bat, or someone scratched their hosiery and had a run in their stocking. I had these process servers coming at me continuously. But under our contractual arrangement, the city agreed to defend me against any citizen. And so I just turned everything over to the attorney, and let them take it from there. The only time that didn't work was later on when we got into the expansion of the stadium for football.

Chall: I thought we'd go into that now. Let's see, the stadium was opened officially in April 1960, and in 1963, not very long afterwards, there was enough of a problem about the wind so that you appropriated $50,000 to spend on a wind study.

Browne: That's right.

Chall: And that was shelved. What did that study show you that caused you to shelve it so quickly?

Browne: It proved that there was nothing they could do to alleviate the wind in the current position. There really wasn't much of an in-depth study. Again, it was a question mark of just running too fast without recognizing there had to be a more in-depth approach to it. We were faced with the ideas of covering the stadium, and movable roofs.

Chall: Very costly.

Browne: It was beyond the capacity. Naturally, the stadium was beginning to show a negative cash flow. The Giants were doing poorly, they had competition with the Oakland Athletics, and the question was how they could pay their rent. Because under the original

contract, they paid $125,000 or 5 percent of the gate, whichever was the greatest. And they skipped paying. The question was, how could we cover it? This was a point between Horace Stoneham and myself--how to make it work. And then the city wanted to tax tickets, increasing the cost. So the whole thing was very much of a mess.

Bringing in the Forty-Niners and Financing the Remodeled Stadium

Chall: And so in 1970-1971, there was an idea for bringing in the football team.

Browne: Yes. The Park and Recreation Commission was under pressure from the 49ers to find a new football stadium, or to improve Kezar, which was a decaying facility, and no longer seemed to serve the purpose. The 49ers wanted to have something much more effective, and potentially more profitable. The Giants really didn't have much to say about this. This would not affect their capacity or their contract, but it was to provide that the 49ers could play football and have the use of the facilities, increase the seating capacity. And of course they would have to have movable bleachers. Because otherwise, there would not be enough seating capacity. And the question was how would the configuration of the football field be made compatible with the baseball field?

So this posed a problem how to do it. And it meant financing in excess of what had originally been the cost of the stadium. So it required approval to refund the outstanding bonds--call them, pay them off, and issue another issue of bonds but with a different security behind them. The original bonds, as I said, were revenue bonds, and the rate of interest was 5 percent. They were very limited in marketability. The proposed new issue bonds were going to be a sale and lease-back arrangement whereby if the revenues were not adequate from the rentals and the services which were being sold, and parking which was their major [inaudible], then the city would dip into its general fund and make up the deficit. They were doubling, almost tripling, the debt. So it was a major [inaudible].

But the thing which was basic here is the bonds change in character from the revenue bonds in the beginning--really they had no investment rating. But the new bonds were going to be equivalent to the San Francisco general obligations, but lowered by one degree, because they had access to that general fund to make up the deficit.

Chall: But the original--the first $5 million bonds, those were general obligation bonds, weren't they?

Browne: Yes. We just forgot about those.

Chall: How?

Browne: They were very short term bonds, and they were moved out. They were outstanding. The revenue bonds were a lien. So the new bond issues would also be a lien, so you had to eliminate one in order to protect the other.

Chall: How do you eliminate one?

Browne: By calling them.

Chall: Calling them in?

Browne: Yes. Paying them off.

Chall: With what kind of funds do you do that?

Browne: By the sale of the new bonds.

Chall: I see. So you're always behind the eight ball somewhere in there.

Browne: So you reach into one pocket in order to take care of the other one.

The Board Members Resign

Chall: And that's what upset you, enough to resign from that board?

Browne: Well, what really upset me was that the bonds which were to be issued for the expanded stadium to cover football as well as baseball, I felt had such a quality value that the offer being made by the underwriting syndicate was too low for the benefit of San Francisco. And I said I refused to approve the sale of the bonds. I said they should be sold at a much higher price. I said, "You're not dealing with this project on the basis that I think you should."

And then I had my legal counsel that criticized me for taking that position, and as far as my fellow directors were concerned, they stood with me on it; they understood what I was

talking about. But again, there was a conflict of interest, because George Herrington was an attorney for Blyth and Company, attorney for the stadium corporation, attorney for the City and County of San Francisco.

Chall: And Blyth had bid on the--

Browne: Well, they had negotiated the purchase that came in. So there was no competition. I said, "Well, what I would like is to have these bonds put up for sale at competitive bids, let the market determine the value." And then they found the easy out. Because on the contract for this construction program, the high bidder was a million dollars away from the second bidder. So he was willing to do it for one million dollars less than the other bid. So the theory was if they postponed the sale and agreed with me, that this fellow would pull out his bid and they would be without a million dollars.

So they put the gun to my temple and said, "Look, if you don't approve this, you're going to be sued for any loss on this." I still hung in there and said, "No." Again, my bond attorney friend said I had to do it, I should do it, it's frivolous. You can't do that.

Chall: He felt you were being frivolous?

Browne: That's right. Then I had a call from the now-mayor Alioto.

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He said, "I'll see that you are sued." I laughed, and I said, "Will you please explain to me how the City and County of San Francisco can sue me when the City and County of San Francisco has contracted to defend me against all suits?"

Chall: I see.

Browne: He had no fast answer. He said, "Well, I would like you to come up to my office and we'll talk it over."

I said, "Well, I'll be glad to do that, as long as I bring along my attorney."

He said, "No, I don't want you to bring along your attorney."

I said, "Well, Joe, I won't be there unless I have my attorney with me," which would have been Herrington too, anyway, a member of his group. So at that he hung up.

And finally, it reached the point where I thought the only way out was to resign. So I called my fellow directors and explained what I was doing or planned to do, and they said, "We'll all resign." So the three of us resigned. And then I passed the message on to our bond attorney, and I said, "The board has resigned, period. Now it's up to whatever they want to do with it."

Well, that created a dilemma. Rapidly, the mayor tried to appoint people to fill the board. I pointed out very quickly that this again was a conflict, and that there was just no way that they could fulfil that. I said, "Furthermore, the only people that can fill up the board is the board that's retired. We have the power to fill our own positions. But you can't fill them for us." So I finally came around and said, "If you would recommend individuals you would like to have fill our spots, then I think we're good citizens and we will respond accordingly."

So ultimately, that's what happened. The people who filled our positions were submitted to us for our approval, and we approved them, and they were appointed. I don't think they've ever been heard of since.

Chall: I have not seen their names, but then I haven't read through everything. But all the material that I do see that goes up to 1983 doesn't mention them.

From what I've read in press releases and maybe other material, your reason for resigning was because you felt that the taxpayers of San Francisco County and City were going to be taxed if the stadium didn't bring in the amount of money that was required.

Browne: Well, really what it amounted to, Malca, was that I wanted to make sure that the sale of the bonds was done at the best possible interest cost to the city, which would be the taxpayers because they have the access to general funds. And when it was not being done that way, there was no [inaudible] for it, and it wasn't on a competitive basis, I said it was not in their interest.

Chall: That means the lowest possible interest on them that you could get.

Browne: That's right. Now, as far as the million dollar boot on the part of the contractor, there was no saying that he was right or wrong. In fact, if he was willing to do the job for a million dollars less than the second contractor, I couldn't evaluate what he had in mind, or anyone else. It was entirely possible that

had it gone that way, and he had pulled his bid, or reduced his bid, there was a possibility that the city would still have benefited regardless.

Chall: Now, can you give me a little description of Mayor Alioto and how you worked with him even before this came up? Because he was interested, wasn't he, in getting the football team, getting the extension made or the expansion for the football team?

Browne: My relations with Joe Alioto were always above board, effective, and no problems to speak of. We did not have as much communication, because there weren't the problems there. We did have some differences of opinion about Candlestick Park stadium that developed, because he wanted to tear the stadium down.

Chall: Oh, I see, and build it someplace else.

Browne: That's right. And then when you dig into that story, you begin to learn that there are other people involved. And there were others who were more interested in developing property they owned and had acquired in the south of Market. So there was a potential conflict there of self-serving. When he just wanted to tear down the stadium, and you saw behind it the specter of people profiting from the sale of real estate, it didn't look very good.

Chall: Well, that was in 1970, and then 1980 and '88 they're still talking about a new stadium, aren't they?

Browne: That's right.

The Question of Replacing Candlestick

Chall: It seems that it's been going on for twenty, almost thirty years now, the discussion about the stadium.

Browne: Well, George Christopher and myself are still around. The engineer and architect have passed away and George Herrington's passed away. Fran [Francis] McCarty, who was supervisor then, became a judge, he's still around, and maybe a couple of others. But in talking with George Christopher, I think our mutual feeling has been that the existing stadium was a better buy than a sale. It's something that should be, I will say, reconstructed or renewed, updated, upgraded, as the case might be. There is literally no place in San Francisco that's going to be free from wind, fog, and earth movements. So you might as well stick with

BALL PARK BOND LEADERS QUIT

By J. W. PARKS

Alan K. Browne, president of the non-profit San Francisco Stadium, Inc., the corporation that has arranged financing for the construction of Candlestick Park and its subsequent modernization, quit yesterday, charging that he had received "veiled threats" from City Hall in the authorization of the recent bond issue of $16.1 million to modernize the park.

Browne's two co-directors, Frederic B. Whitman and W. P. Fuller Brawner, indicated they will follow his lead.

The non-profit corporation issued the bonds to the underwriting group headed by Blyth and Co. in what was described as a "negotiated sale" recently, following the authorization of the Board of Supervisors.

Browne, a senior vice president of the Bank of America who has for 12 years headed the public service corporation as its president said that he didn't really want to authorize the bond issue.

But he was told by representatives of the city attorney's office that legal action for personal liability could be instigated against him if he failed to comply before the deadline.

Reached for comment yesterday, he said, "I was faced with a real shotgun approach on this thing," explaining that he had only one day to make up his mind.

The change in the character of the financial activities of the corporation, which under this bond issue involves public liability, is disturbing to Browne, who said that he is afraid that the taxpayers might have to pay off the $16.1 million.

His fears ostensibly spring from the rumored unhappiness of the San Francisco Giants, who are the tenants of the city-owned stadium at present. It has been rumored that the Giants might move from Candlestick, depriving Candlestick of much of its income. The Giants yesterday called a news conference in the offices of the law firm of Sullivan. Roche and Johnson "pertinent to the expansion of Candlestick Park" for this morning.

A Giants spokesman said that the conference "obviously involves legal action," the nature of which has not been disclosed. The Board of Supervisors imposed a 50 cent surcharge on the ticket price of events held in Candlestick to be paid by the professional ball teams, to help pay for a projected overcost. Giants spokesmen said at the time that the additional price would have to be passed on to the individual fan who buys the ticket, and that the surcharge constitutes a violation of the lease contract. Rumors have had it that the Giants would file suit against the City before the end of the week to challenge the new surcharge.

Browne said that he felt that the city attorney's office was a "little nervous" over its role in the authorization procedure, adding that he's sure "they were working under a lot of pressure what with all the delays and changing deadlines that have been the case with Candlestick."

"The taxpayers might be defrauded on the assumption that they were not required to pick up the tab for the overcost if the courts should uphold the prime tenant," said Browne, adding "As you are aware, Stadium Inc. bonds are secured by general funds revenues sufficient to meet any deficit in revenues in meeting debt service, i.e., principal and interest on Stadium Inc.'s bonds regardless of the general fund mix," in a letter to his fellow board members.

The corporation was created in 1957 to hasten the building of Candlestick when it was decided that financing arranged through the taxpayers wasn't fast enough to efficiently build the stadium. It has been headed by Browne as president and co-directors, Brawner and Whitman.

Whitman, formerly the president of Western Pacific Railroad, said yesterday that "It seems to me there's all together too much fussing about it," adding that adverse publicity and the change in the nature of the job has caused him to think about quitting for some time.

Brawner said "We all had intended to drop off and get out of this thing several years ago, but things came up, expansions and so forth, and we never got around to it." He added that he wouldn't be surprised if all three of the original directors will have vacated their positions shortly. "I think the city can work out some way of handling this thing. . . . I think it can be done by the City and it wouldn't be any trouble whatsoever to any involved."

Browne said, "We just felt that

we've gone through 12 years of financing the deal one way and now, well, there's been a shift in the obligation." He said that the possibility of the overcost to taxpayers, delays and other problems that he's encountered in his public service position were primary factors combined with the indirect "veiled threats" of City Hall. He maintained that the situation is out of the hands of the corporation directors now and that "We're not very happy that over the 12 years we've been buffeted by adverse publicity."

Daily Commercial News
November 4, 1970

The Stadium

Editor — We might well ponder the claim that Candlestick Park is "in substantial disrepair" — "the structure itself is in need of major repair and the stadium facilities are inadequate by current standards." The City has been obligated under contractual arrangements with the nonprofit corporation that financed the construction and expansion of the stadium and the tenants to maintain the stadium and to provide the needed infrastructure. Why hasn't the stadium been maintained? Is there any assurance that a new facility will receive better treatment despite the proposed depreciation reserve? Or will this be another example of benign neglect by local government where maintenance of public facilities is endlessly deferred until it is necessary to replace them with capital expenditures at greater expense to all?

ALAN K. BROWNE
Walnut Creek

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San Francisco Chronicle
October 22, 1983, p.40.

what you have.

Movement to any other site in San Francisco, it's tricky. The stadium is on land which was created out of nothing, and there's no tax loss there as of now. But if you start moving around, unless the city owns the property, you lose taxes because the property goes off the tax rolls. The question as to whether they need a roof, a removable roof or whatever they have in mind, there's been an awful lot of money spent. But the antagonism has developed, and the current owners of the Giants take the position that they want something that's-- I think it's pie in the sky.

Because if you look over the record of stadiums around the United States, practically all of them are losers. They cannot finance the cost of maintenance and utilization of the facility. And generally, it's required a pretty good pool of funds from the public, and the public doesn't necessarily benefit from a limited-access sport facility. It's ego, it's great, you know; but when people come up with these figures about how much the economy has been improved by having a baseball, football, whatever facility in their community, they really don't have any actual figures.

One thing is the competition with Oakland. I went through that routine, about eliminating the Oakland facility and just having the one baseball team here. But it doesn't work.

Chall: Well, it's been an interesting project that you were involved in.

Browne: I learned a great deal, had some fascinating experiences. I felt I was well informed about some of the problems that developed in the municipal construction. And having to deal with the personalities involved, that was a revelation.

I think as far as the Bank of America was concerned, they would be obviously--I'm speaking about management--would be nervous about some of the publicity which would creep into the press, but if anyone analyzed and checked it out, it was all basically sound and straightforward and clean-cut. It was a service being performed for the community. It wasn't a personal service, certainly. As I said, I got this annual pass to the baseball stadium, that was it.

Chall: Was the bank worried from time to time about the publicity? Who would have been worried?

Browne: I think probably what the case was is that those who might have had a matter of concern about me as an individual would always build up a story to indicate the worst possible results. That

was standard. But it was a straightforward approach to it.

Chall: But the bank--at least it benefited by having money in the trust account, that brought in a little something.

Browne: The bank was considered a prominent factor in making the stadium come true. We could have bought them [revenue bonds]. They wouldn't be considered normally--they're more of a businessman's investment. But we became bankers for the Giants. And we were bankers for many of the organizations which were participating in the development and use of the facility. So the bank was without doubt well identified.

Chall: And profited somewhat by it.

Browne: The other hand is that if I was receiving a fair amount of publicity periodically as the case may have been, there were those who kind of resented that. I don't know whether they would have been happy if they had been in my place and experienced the same things or not. I think they just didn't like my getting that much attention.

Water Resources Development

Reclamation and Irrigation Districts

Chall: All right, we'll turn our affairs now to water, which is another major issue. Now, we're going to use some of the material that you've given me. You claim that you had a long-term relationship with the Irrigation Districts Association. I found in the [Bank of America] archives as I was going through one of the cartons a couple weeks ago, this letter which was dated 1937, from L.S. Mawby, assistant cashier, to Mr. W.D. Yalland, assistant to the cashier, in the San Francisco headquarters. It has something to do with the reclamation district and irrigation district bonds. As far as I can make it out, the Bank of America held these bonds, but in 1937 they "would outlaw." What does that mean?

Browne: They were legal investments. The way the Bank of America became involved in holdings of irrigation, reclamation district bonds was essentially by the acquisition of banks that had purchased them and were holding in a portfolio. They would come into the bank, and in turn would be considered part of their investment account or worked out.

$4.2 million for Central California irrigation. Purchase of the irrigation properties of the San Joaquin Canal Company, including canals irrigating 155,000 acres in Stanislaus, Merced and Fresno counties, was completed in San Francisco. On this occasion officials of the Central California Irrigation District, President Lawrence Wolfren and Secretary-Manager C.W. Bates, (second and third from left, respectively) received $4,200,000 for the District's newly-issued bonds from the Bank of America, purchaser of the issue. J. Leroy Nickel, Jr., president of Miller and Lux, which owned the canal company, is seated at right. Presenting the check is Alan K. Browne, vice president of Bank of America and head of the Municipal Bond division (date unknown).

The other thing was that the history of California in the agricultural field was essentially involved with developing water, either to bring water or to get rid of it. Irrigation districts and reclamation districts, flood control districts--you could go on and on and on--were very much a factor in the growth and development of California. So the bank, through its agricultural activities, was involved in it. The reason they would be outlawed is that they had probably been outlawed because of the statute of limitations. In other words, they had been in default, and apparently had not been presented or had not been paid.

Chall: Irrigation districts, during the 1930s, went into default, a lot of them. What was the Bank of America's action then on those? Did you hold them, try to sell them at a loss, or what?

Browne: The major holdings that the bank had were fairly large issues, and we held them. As a matter of fact, the bank became very active in what we termed bondholder's protective committees. Holders would band together, and they employed counsel to negotiate and deal with the various districts, because of the defaults that were taking place. It became a very important item, because frequently you were lending money to the farmers in that particular area, so that they were involved. The Imperial Irrigation District, they were buying water and owning land. It was a cyclical arrangement. We were you might say always out there to give a helping hand, and financing California for many years was dominated by the issuance of this kind of debt, reclamation and irrigation district debt.

And then reclamation debt was interesting too. You could apply past due coupons and past due bonds for the payment of taxes. And there was a market for this paper for that reason. People would buy them at a big discount, and they would apply a hundred cents on the dollar to their local county treasury to pay off their taxes. So that was another factor. The bank's bond department was active in trading in these securities of one kind or another. That was where I really first got my eyeteeth cut, was dealing in irrigation and reclamation district paper. That was a number one item in the marketplace.

The state has had a long history of issuance of securities in default and abandonment, reconstruction--whatever. And there are still in California a majority of these wonderful organizations still in being. They don't have any debt, it's been paid off, but they function as entities to provide water and flood control. It is a very important part of the bank's participation in the agricultural and livestock community.

Chall: In the little essay that you supplied for research, you claim that you had been, from 1962 to 1963, a member of the advisory committee of the water policy committee of the IDA [Irrigation Districts Association]. What was the advisory committee of the water policy committee of the IDA?

Browne: Well, to my recollection, we were just in an advisory capacity to deal with problems which were continually confronting the irrigation district industry. And this had to deal with legislation introduced in Sacramento, and the function of the various state agencies which were carrying out the legislation. It was important in the sense of the lobbying efforts that were there. So as a body in advisory capacity, we would be asked to express ourselves or to help--for or against particular legislation.

Chall: So it was somewhat in the lobbying area.

Browne: True.

Chall: From '52 to '54 you claim that you were concerned with the California ownership of the Central Valley Project. That had a long life too, and disappeared as a possibility in about 1954 when you stopped being on that statewide committee. What do you recall about the pros and cons of California ownership, and how did you get into it in 1952?

Browne: The state of California's water problems were very much in evidence in the 1930s. The Reconstruction Finance Corporation and its affiliations was involved in trying to finance part of the California program. There was a bond issue that was approved which was never sold, and this was a factor that was interesting, because this was what they were really trying to revive, is get the state of California back into its ownership role.

But it was an interesting period. The state had its water program, the federal government had its water program, and they intertwined and connected. Plus all the local water users and issuers too. I think in that particular period of time we were just trying to straighten this out, which ultimately led to the state water program and the state bond issue. And this was popping up. One of the things that we kept trying to bring out is that California had been in the water business for all these years, and this was a direct conduit to continue on.

The Campaign for the State Water Project

Chall: By 1959 and 1960, you were on the Governor's--and that would have been Governor Pat Brown--on his special advisory committee on financing the State Water Plan. Did that have to do with financing it as such, or working on the campaign, so that it would win?

Browne: The governor wanted me to head up a citizen's committee to favor the bond issue.

Chall: After it had been passed by the legislature--?

Browne: This was to present it to the electorate. And the bank was a little bit reluctant to have me take this role, because of the geographical divergence between the north and south. So I became a co-chairperson on this committee, rather than being the chairperson.

Chall: You became a co-chairperson? Now, let me run down the names of the campaign chairs. The state campaign chairman was Thomas Mellon, and the northern California chairperson was Cyril Magnin. The southern California chairperson was Norris Poulson, who was then the mayor of Los Angeles, and the statewide finance chairman was Preston Hotchkis, whom I know you knew.

Browne: Well, we were co-chairpersons together.

Chall: Of the finance committee?

Browne: Well, actually,--

Chall: Because I've never seen your name on any of the literature.

Browne: That's right; they kept my name out.

Chall: I see. So you worked with Preston Hotchkis?

Browne: That's right. As a matter of fact, I think you will find there is a letterhead--I can probably dig it out--which will show Preston Hotchkis's and my name on it.

Chall: That's something else; that's something different. This is dated 1970, so it's a different committee.

Browne: Okay.

Chall: That's where you and Preston Hotchkis are co-chairs, and that's

State of California
GOVERNOR'S OFFICE
SACRAMENTO

EDMUND G. BROWN
GOVERNOR

March 25, 1959

Mr. Alan K. Browne
Vice President
Municipal Bond Department
Bank of America
300 Montgomery Street
San Francisco, California

Dear Alan:

I am writing a group of persons who are experienced in the marketing of California state bonds to meet with me in my office at 3 o'clock p.m. on April 2, 1959, for the purpose of discussing with me the many problems concerning the market for state bonds, not only for the development of the water resources of this state, but also for other state purposes.

I will appreciate your attending with this group.

Sincerely,

EDMUND G. BROWN, Governor

RECEIVED
MUNICIPAL BOND DEPT.
1960 DEC -5 PM 3:15
BANK OF AMERICA

EDMUND G. BROWN
GOVERNOR

State of California
GOVERNOR'S OFFICE
SACRAMENTO

November 29, 1960

Mr. Alan K. Browne, Vice President
Bank of America
300 Montgomery Street
San Francisco, California

Dear Alan:

Please accept my sincere appreciation for all you have done to contribute to the passage of Proposition One at the polls on November 8. You were one of the first to volunteer in organizing assistance to this vital water bond issue and the impetus and continued support of yourself and the other pioneers in this campaign were what made this victory possible.

We now have at hand the means to implement a water development program vital to the continued growth and economic prosperity of California. This we shall do.

Thank you again for your tremendous assistance.

Sincerely

Pat

EDMUND G. BROWN, Governor

December 20, 1960

Honorable Edmund G. Brown
Governor of California
Governor's Office
Sacramento, California

Dear Pat:

Thank you for your very thoughtful letter of November 29, 1960, which arrived while I was in the East.

I sincerely appreciate your comments concerning the passage of Proposition No. I. May I take this opportunity to congratulate you for your leadership on this very important public proposition. I enjoyed working with you and I am sure that the State will benefit for years to come through their wise approval of this proposal.

May I remind you also of the importance of implementing the suggestions that I have made concerning improving the marketing of the State's general obligation bonds and strengthening their credit. I know that this has been brought to your attention and to the attention of your staff, but with a legislative session soon to be with us it is vitally important that necessary legislation be drafted.

With all good wishes for the Holidays and a prosperous New Year.

Kindest personal regards.

Sincerely,

AKB/iv

1970 under the Reagan administration. I was going to check that out with you.

Browne: But originally, on the state water bond issue. I was a co-chairperson, because they wanted me to be very much below the sight level.

Chall: Yes. Well, understandably I think. During the campaign, right up until the very--almost the last couple of weeks--the San Francisco Chamber of Commerce was opposed, the Chronicle was opposed right to the end. The Bank of America was opposed, according to letters that I've seen, opposed as late as September 12. I don't know whether they ever came in on the pro side. And it wasn't until a week before the election in November that the Metropolitan Water District signed on as a contractor.

I was concerned with your role in this, inasmuch as the Bank of America was opposed, and the San Francisco Chamber of Commerce was opposed; I don't have to tell you about the Chronicle. On the pro side, there were only a couple of organizations, and one of them was the League of Women Voters, and the other was the Feather River Project Association, and almost all of the newspapers except the Chronicle. So, what was your role in this, all things considered here?

Browne: My role was to consult with the governor.

Chall: Governor Brown?

Browne: That's right.

Chall: In what way could you assist Governor Brown?

Browne: Advise him on his bond issue. Favoring the bond issue, and my assessment of the impact it would have, because the Bank of America had been handling so much of the state's financing, that this was a major addition to the total. And it was that kind of a problem. There were people concerned that if the bond issue was so large, it would overwhelm the marketplace, and have a disastrous effect, which I didn't agree to. As far as the Bank of America was concerned, the management of the bank knew what I was doing, and this was why I had the low-key role in it.

And I think I mentioned to you on the day of the election--or the day following the election, I should say--when the votes were in, I had so many members of the management come in to pour it on me, to ridicule my stand of support. They just figured I was way off base. And I said, "Well, you know the results aren't all in yet. There are more votes in southern California than

northern California, and southern California's going to benefit. I think you'll find that we're going to win."

Chall: So the vote wasn't known right away.

Browne: No. The counting of the ballots strictly from southern California took quite a while.

Chall: I think the final vote was pretty close. Ultimately, did the Bank of America buy some of those bonds? That's also the time when the state did sell the original bonds that were supposed to finance what became the Central Valley Project.

Browne: That's right. They had other forms of finance which followed through in order to make it work. As I recall, I don't think anyone acknowledged the fact that I was right. It was easier to just let it slip into the woodwork. But it was a touchy thing. Again it was a question as always: is the Bank of America a northern California institution or a southern California institution? I said it was the entire state.

I said, "The deposits and the population are in southern California." I said, "You have to recognize this." I said, "I may have feelings about taking northern California's water and sending it to the south." But one of the things which was extremely important was that the contractors for the water had to underwrite it. And it was southern California that was willing to do that, so that I think was perfectly fitting.

Chall: Did the bank buy many of those bonds? I mean, did it ultimately benefit in some way?

Browne: Oh, yes. As long as they kept selling the bonds, they were always there at the bidding time.

Chall: In 1963, you were on a California State Chamber of Commerce committee on state water project financing. This was a statewide water resources committee, and you were the chairman. Now, did that have to do with financing the State Water Project?

Browne: No, the committee was pretty broadly based. In other words, it was a matter of following legislation.

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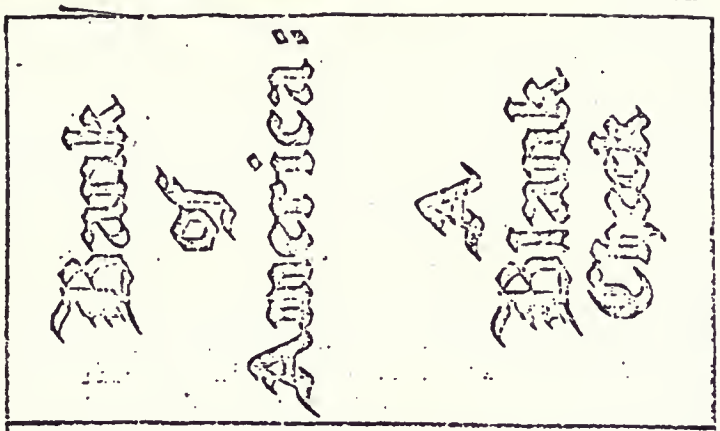
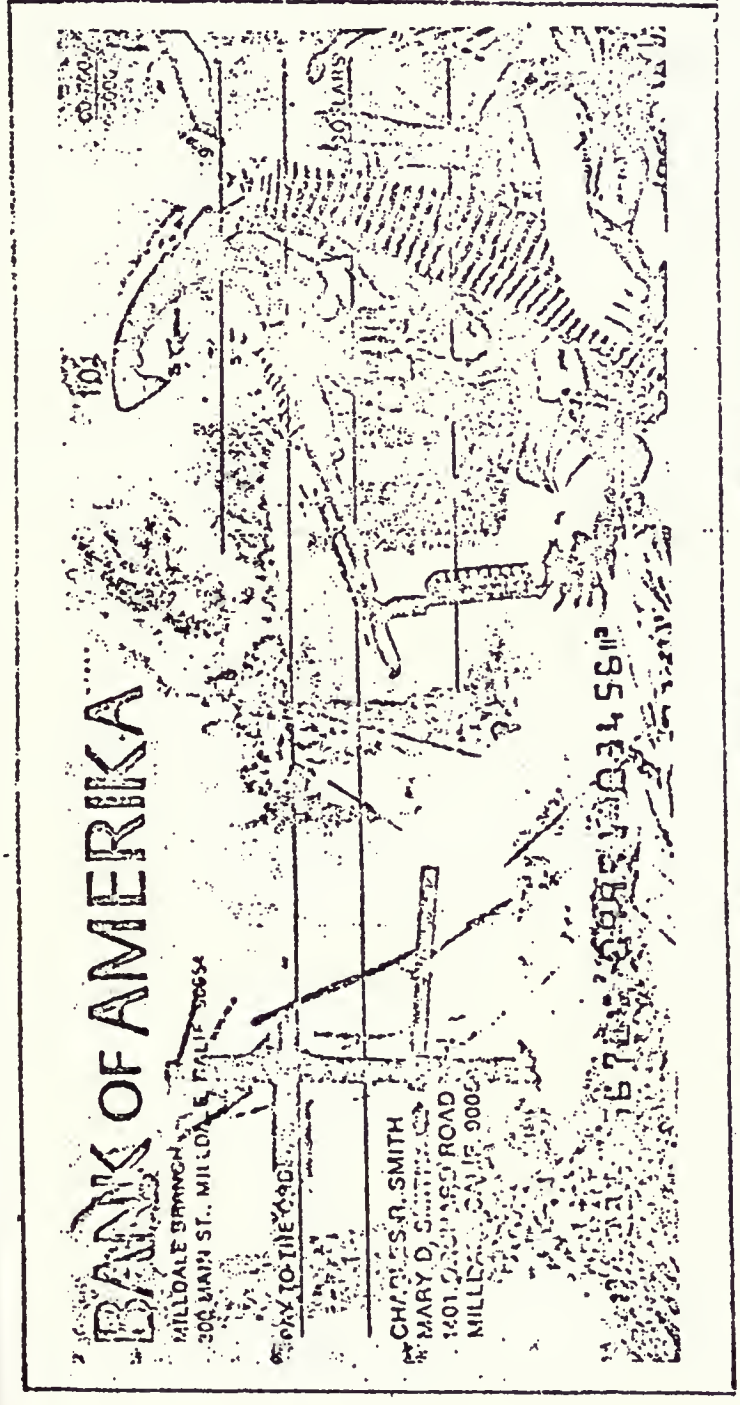
--trade associations; they acted in an advisory capacity. Sometimes they have a good sized staff, sometimes it's limited. But essentially, they're in the lobbying business to keep their views before the legislature, and in turn to inform their membership. They frequently have gatherings of both in order to





Number 3 in a series of leaflets designed by the Downtown Peace Coalition and friends to expose the true nature of the policies of the Bank of America....

"B of A" and the Destruction of California

The intimate involvement of the Bank of America with the State of California's public debt gives the Bank a big stake in the management of the state's fiscal affairs and a voice in overall development planning. Nowhere is this more clear than in the Bank's role in promoting the California Water Plan -- a project which is bound to have disastrous effects upon the environment of the San Francisco Bay Region. The object of the California Water Plan is to transport ten million acre-feet of water yearly from the Sacramento River to Southern California area in order to sustain the present rate of urban growth down there and to aid agribusiness in the lower San Joaquin Valley. The Sacramento River naturally flows into the Bay Delta and then into S.F. Bay. The Water Plan will eventually reduce the flow from 18 million acre-feet per year to something like 3 million acre-feet. This will turn the moderately polluted flow of the Sacramento River into a heavy gravy of pollutants. San Francisco Bay is already an ecological mess; the California Water Plan will finally destroy it.

Until recently, problems with financing arrangements have held up the completion of the Water Plan. Because of the 5% interest ceiling on state bonds in a market where the going rate was 7% and higher for tax-exempt local government bonds, California had $1.3 billion worth of authorized but unissued bonds sitting on its shelves and dangling in front of the noses of potential underwriters. $600 million, or nearly 50% of these were Water Plan bonds. In recent years, California had sold its bonds at the rate of $500 to $600 million a year. However, because of the refusal of underwriters to bid at the lower interest rates only $30.6 million of these bonds were sold in 1969.

In the primary election last June, California voters passed "Proposition 7" allowing the state legislature to boost the interest rate ceiling on state bonds from 5% to 7% (and even higher with the Governor's and two-thirds of the state legislature's approval). The statewide head on the so-called "citizens committee" campaigning for higher interest rates -- Californians for Yes on 7 -- was Alan K. Browne, Senior Vice-President in charge of the Bank of America's Investment Securities Division. Most Californians, however, never knew who the "civic-minded" leaders of this campaign were, since Mr. Browne was never identified with the Bank during the election, much less was the

Bank's interest in the bonds ever discussed.

Had the Bank of America been a little more frank in its campaign, it might have stated the following reasons for its backing of Proposition 7:

First, the Bank of America is the largest single holder of California Water Project bonds. These bonds are scheduled to be paid off by the Southern California users of the water beginning with deliveries in 1973. If the State does not manage to sell the bonds and to complete the project on schedule there will be unpleasant suits and court battles involving the bank and other bondholders, the State of California, contractors, and potential users of the water.

Second, at the Bank of America, Alan K. Browne oversees holdings of over $2.3 billion in local government tax-exempt bonds, the biggest portfolio in the United States. The largest chunk of these is California state bonds which the bank underwrote. The 5% ceiling on bonds and resulting lack of a market for California's debt was cutting into the bank's profits from underwriting.

Third, and most important, the Bank of America is in cahoots with the corporate farm interest, land developers, construction companies, public utilities and merchandising firms which stand to benefit most from the water project as well as other bond-financed projects. The Bank itself is the world's largest agricultural lender with lines of credit for agricultural production running at about one billion dollars. Its total commitment to agriculture is probably more than $3 billion. It was the Bank, these allied interests and their "citizen committees," who originally pushed the Water Project through just as they have done with so many other plans which have shaped the face of California to comply more with their standards of profit.

Despite its rigamarole about being a "responsible enterprise", the Bank of America's role in financing the California Water Project makes it one of the foremost destroyers of what's left of California's environment.

On Tuesday, March 16, the Bank of America holds its annual Stockholders Meeting at the San Francisco Masonic Hall. Downtown Peace Coalition invites you to join us in protest in the downtown area against the Bank's strongly anti-human reality. As details of our planned actions are firmed up, we will print them in succeeding leaflets in this series.

* * * * * * * * * * * * * * * * *

This has been the third in a new series of leaflets designed to go further into detail than do our regular leaflets. The Downtown Peace Coalition would like to know how these leaflets are received by those who read them. Do you like this type of leaflet better than our "regular" leaflets? If not, why not? We appreciate any comments you would like to make. This type of leaflet takes more time than our regular leaflets do, and this type inevitable costs more. The Downtown Peace Coalition would appreciate any assistance you can offer. If you'd like to help, fill out the form below and mail to:

DOWNTOWN PEACE COALITION

mailing address;
P. O. Box 2457
San Francisco, California
94126

office address;
86 Third St., Room 402
Phone 989-7290
(meeting every wednesday, 5:45pm)

NAME _____ PHONE _____

ADDRESS _____ CITY _____ ZIP _____

_____ I would like more information on the Downtown Peace Coalition.
_____ Please add my name to the D.P.C. mailing list.
_____ I would like to contribute $_____ to help D.P.C. continue the work they're doing
_____ I would like to pledge $_____ monthly to help insure D.P.C.'s continuation.

improve and benefit their various plans.

Chall: And as chairman, then would you have become acquainted with William Warne and others who were building the project?

Browne: Generally, we ran into them at various meetings as part of our program.

Chall: And then finally, we have this Concerned Citizens for Water, that was the name of it. It was organized to enlist financial support for the California Water Resources Association. This was 1970. The co-chairman for southern California was Preston Hotchkis and for northern California Alan Browne. You had rather important names on your letterhead. Now, this was 1970, during the Reagan administration. Obviously something important was going on, or you wouldn't be having to raise money.

Browne: Well, this was essentially a fundraising function.

Chall: For what purpose?

Browne: Well, as it says here, to support the California Water Resources Association.

Chall: Yes, but that's a big organization.

Browne: I know.

Chall: Why did you have to go out to raise funds?

Browne: I think what we were trying to do is to tap the corporate givers in order to provide funds for furthering the water programs. And the fact that--look over the names of the individuals--it would appear that they would be the sort of individuals who would probably be effective in fundraising.

Chall: Oh, no doubt about that. Obviously you were working towards something that you considered important. I think we've come to the end of water.

The San Francisco Chamber of Commerce, President, 1958-1959

Now, I thought if we had time today, I might ask you to tell me a little bit about the chamber of commerce when you were president. I did see some press clippings in the [Bank of America] archives, about your chamber of commerce days, and it

Concerned Citizens for Water

Organized to enlist financial support for the California Water Resources Associatio

December 30, 1970

Co-Chairmen

For Southern California
Preston Hotchkis
Chairman of the Board
Bixby Ranch Company

For Northern California
Alan K. Browne
Senior Vice President
Bank of America

Committee Members

Ben P. Griffith
President
Griffith Company

O. G. Linde
President
Southern Pacific Land Company

John W. Luhring
Senior Vice President
Union Bank

Cyril Magnin
Chairman
Joseph Magnin Company

Ferdinand Mendenhall
Editor and Co-Publisher
Van Nuys News and Valley News

James F. Mulvaney
Executive Vice President
United States National Bank

Franklin Stockbridge
Executive Vice President
Security Pacific National Bank

Hale Warn
President
Title Insurance & Trust Company

Reply to: Room 316
223 East Broadway
Glendale, California 91205
(213) 245-2317

Mrs. Patricia Lyon
Secretary to Alan K. Browne
Bank of America
485 California Street
San Francisco, Calif. 94120

Dear Pat:

This is the batch of letters requiring Mr. Browne's signature which we discussed today on the telephone. They are nineteen in all, to present members of CWRA, and will accompany an invoice for 1971 membership dues.

I will discuss with Mr. Keating next week the request that a list of names be submitted to Mr. Browne, before letters are typed for his signature, so that he will know just what firms will be solicited for funds.

Mr. Keating, I am sure, will take it on from there. In the meantime, will you please return the signed letters to me as soon as you can. Return, stamped envelope is enclosed for your use.

Nice to have talked to you.

Sincerely,

Anna A. Masciari
Secretary to Mr. Keating

aam/encl.

looked as if a great deal of it had to do with a sort of protocol. You were greeting people from Finland and Norway and all over the world really, as well as in this country, but it was almost like being the greeter for the City and County of San Francisco. Obviously there was more to it than that, but that must have taken quite a bit of time.

Browne: Well, the chamber of commerce has been structurally changed over the years. At the point in time when I was active, the chamber had a basic function which was to represent the business community in northern California, and it had a great relationship with the state of California, or projects which they were concerned with, as well as the City and County of San Francisco. Because each city more or less has a chamber of commerce.

San Francisco was particularly key because they had a board of directors representing about thirty-odd businesses and industries related to California. It was very effective in the field of the consular corps and the armed forces, which were headquartered in San Francisco. Its relations with city hall had to do with almost everything that went on. The president of the chamber of commerce was considered Mr. Businessman. He represented the business community at all these affairs, and would receive invitations as the president to attend whatever affair was going on, and then in turn participate in other activities. Some of them were amusing, and some of them weren't.

But the time generally was well spent in identifying the individual and his organization in the minds of those who he had to communicate with. One had to make frequent speeches. Ribbon-cutting was a standard deal, smashing a bottle of champagne was another deal, and passing up and down receiving lines and being able to do this was a factor. My budgeted time was to visit the chamber office, which was around the corner from the bank, sometime in mid-morning, and if there was a luncheon I was supposed to attend I would stay for luncheon. That would end it for the day, unless there was an affair in the afternoon or in the evening, and these would all be programmed on the schedule, and I would try to pursue that.

Chall: Mid-morning might be what--a couple of hours?

Browne: Yes, reviewing correspondence and visitors. There was always a pile of material that I had to read, and documents to sign. We had the board of directors meeting once a week, and the full board usually attended. We had a pretty good group. The business was presented by the staff, usually supporting the committees, and the committee chair people would be there. The

chamber would take positions on whatever they recommended. A lot of it would be legislative, things pertaining to taxes, and the development of the highway system, which the chamber was much interested in. All these would come before it. The decision making pursued it. We had a pretty good organization.

Ultimately, when I was nearing the end of my year, I sort of reorganized the chamber.

Chall: Yes. What was required of the reorganization?

Browne: Well, the chamber was run on a catch-as-catch-can basis. The organization really was not up to what I would call good business. They were using equipment which was antiquated and not up to standard. They weren't employing good people; they weren't paying enough at the going wage. So that was part of it. And then the structural arrangements needed a lot of refinement, some consolidation and some expansion. There was a need for new quarters, which was very evident by the crowding that we had. The keeping of records was difficult. Again it's like the archives: what do they keep?

As a matter of fact, when they reorganized the chamber, the new manager came in and dumped everything, which was a horrible mess. He just threw everything away. I could never forgive the people who sponsored that.

But getting to be president of the chamber: the standards were that one normally would have been chairman of a committee, a key committee, and serve in that capacity, so that you'd have a working knowledge of that committee. So then when you appeared before the board, you'd have some understanding. So one of the officers who would move up to the presidency, would have had good experience.

Chall: And you did that, didn't you? You were on the mass transit section--

Browne: I started out in the Civic Development Committee, at the request of Frank Dana, who came to me and said that he had been asked to serve on this committee, but he didn't feel he had the time, and he thought I would be an appropriate individual to represent the bank. And that was about 1949. So I became a member of the Civic Development Committee, and worked up from there.

Chall: I see. So you did work up. It took ten years though.

Browne: Yes. I served three years as an officer. Frank wondered if I was ever going to make it to the top. I did.

Chall: Did you enjoy that year?

Browne: It was a delightful year. As a matter of fact, Betty was a co-participant, because so many affairs required husband and wife. This was very important for some of the consular corps activities, where they're very sensitive to representation. So, meeting the consular corps, and there were fifty-odd countries represented: meeting the armed forces, generally the activities were either at Treasure Island or Hunter's Point, Mare Island, or out at the Presidio. The commanding general at the Presidio would have a dress-up affair about once a month.

Chall: Oh, really? That you needed to attend?

Browne: Oh, yes. Then, the business community, the one that dealt with all the various trade associations. For their meetings and their conventions of any kind, we would be asked to participate. We had a good working relationship with the chambers of commerce in the Bay Area, sort of commingling our interests and our attitudes. The only thing that was unfortunate was that I couldn't maintain my training process, so it was not too difficult for me to put on a little weight. And after a year, I felt I had put on more than I should.

Typically, they asked me to serve again on the completion of my year, and I declined I think with grace on the theory that I wanted to be sure that honor was shared by others.

Chall: Do you think that the chamber of commerce is an important organization? You talk about representing business. In San Francisco, the press refers to "the business interests." Apparently, they're not always in accord with somebody else's interests in the city. Does the chamber have a very strong voice?

Browne: The chamber has a strong voice. At the time I became president, the budget of the chamber was supplied by membership and by the city of San Francisco. They provided the chamber with funds to pay for publicizing San Francisco as a tourist attraction. We were working to eliminate that; we felt it was kind of a conflict, we shouldn't be in that position. Ultimately, that happened. But it is an effective organization when it's well managed. You have to have a good manager, executive manager, and if you have the board and the president and the directorship, which are effective [it is a good organization].

The problems I've seen are that the chamber of commerce in San Francisco has drifted away from its relationship with the board of supervisors and the city officials. There are any

number of other organizations which are trying to press their interests too; sometimes they work together, frequently you don't. But if you have good leadership, it's important, because the supervisors do have an impact on legislation, which has to deal with business taxes, the climate of the community, all of these things.

If you don't know how to communicate effectively, you can't do it. The same thing is true in Sacramento: if you don't appear before legislative committees and understand the process of government, you don't know how to react. Frequently, San Francisco has lost some of its impact because the two sides are not talking together.

Chall: So you felt that by reorganizing the structure, et cetera, you developed a stronger organization?

Browne: That's right.

Chall: Now, what was the Senior Council which was made up of past presidents?

Browne: The Senior Council was made up of the living past presidents of the chamber, and each year at the completion of the term of office of the president, he became a candidate for the Senior Council, and generally was inducted into the Senior Council with a formal dinner party attended by the past presidents.

Chall: Does that go on after you've retired? Or is that just while you're still a working individual?

Browne: When you're retired, you're a member of the Senior Council.

Chall: I mean retired from your career.

Browne: Well, the idea was that the Senior Council comprised past presidents, and would be continually invited to participate on similar affairs, but unfortunately they reorganized the chamber, and the new manager has disposed of this entire process. But the Senior Council as such has shrunk to very few people prior to the reorganization. Cyril Magnin was probably the only one living that was at the transition. Before that, it was quite different. Now, the head of the chamber of commerce is usually the chairman of the board, and the president is equivalent to the executive officer.

Chall: Maybe that's enough for today, because that's all I've got here in my notes to talk about.

Transcriber: Shannon Page
Final Typist: Noreen Yamada

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ALAN K. BROWNE
Consultant
1113 SINGINGWOOD COURT, NO 6 E2
WALNUT CREEK, CALIFORNIA 94595

TELEPHONE (415) 944-3691

March 31, 1987

Mrs. Willa Baum
Division Head
Bancroft Oral History Office
University of California
Berkeley, Ca. 94720

Dear Willa:

This will confirm our several conversations and notes re my role as an Oral History Project.

Rather than unduly delay forwarding material, I have gathered some data but did not attemot to correct some details. I hope these various items will be helpful - meanwhile I will continue to research my files.

The first item is an assembly of biographical information I put together Frbruary 1972. This has been dupdated in part to reflect the passage of time.

You will note an exchange of letters with Jack Leister, Head Librarian of the Institute of Governmental Studies in 1981. In the BIO there is reference to "Articles, Addresses and Speeches". The files covering this material (1949-1971) are included in the material I sent to Jack Leister and should be available for research if needed.

Attached is a copy of a letter dated March 31, 1983 addressed to Ms. Susan R. Morgan with related material.

There is also a letter dated October 11, 1983 addressed to Miss Anne Kempton with various attachments.

At this point I should comment on the BofA. With the many personnel and management changes it is difficult to determine who is in charge. Historical files may be in storage someplace as well as research material in libraries. Bank of America archives may also be a source.. However, from my experience there is little or no understanding of events and personnel that have made up the bank's history.

In its struggle for identity and grasping for favorable publicity - bank personnel have short memories. You will note in my correspondence I have referred to the "Bank" as being the source of all good things when in effect I was very modest as I happened to be the innovator or investigator of the various ideas and projects referred to.

A case in point is the bank's "Report to Shareholders" for the Fourth Quarter 1986. In this report they induced a discussion of the financing of the Golden Gate Bridge and Highway District, including a facsimile of one of the bonds and also reference to the financing of the Alameda Tube (Alameda-Oakland). The details were incorrect. As it is I am the only living member (Manager) of the Underwriting Syndicate - though my former boss - Malcolm S. Prosser, U.C. '23, is living in Lake San Marcos, but he left the bank to join The Seattle First National Bank.

After you have had a chance to review the material, please let me know what additional references you may need. Also - I will compile a list of individuals (living) who may be prospects for interviews from 1909-1987.

Best regards!

P.S. In the period 1946-1971 (retired) there was no financing in California for State and municipal projects that I was not involved in - so long as they were "legal" and "marketable" and banks could underwrite acting as syndicate manager or as a strong competitor. 1930-41 were difficult years (great depression) and 1941-46 WWII years. akb

Enclosures: Bio - 1987
Corres - Jack Leister
" - Susan R. Morgan
" " Anne Kempton

AKB:eh

ALAN K. BROWNE
Consultant
1113 SINGINGWOOD COURT, NO 6 E2
WALNUT CREEK, CALIFORNIA 94595
TELEPHONE (415) 944-5891

March 31, 1983

Ms. Susan R. Morgan
Assistant Vice President
Bank of America NT&SA
Box 37000 - #5038
San Francisco, Ca. 94137

Dear Susan:

This will confirm our telephone conversation March 23rd. I am delighted to pass on my suggestions for consideration in developing Bank of America's "Leadership and Achievements" project. For some time I have felt that our bank was not beingrecognized for its contributions in the world of finance. I guess we all suffer from the old adage "familiarity breeds contempt" and "to copy is the sincerest form of flattery".

Most of my input is in the field of investment banking where I had a personal involvement. Other areas are reflections on bank achievements which might have been overlooked.

For the record - while we speak of Bank of America NT&SA, it must be kept in mind that the bank is successor to many banks absorbed at various times prior to WWII.

Another point is that the investment banking function as we know it today was carried out by the Bond Department of the Bank of Italy, later by Securities Division National Bankitaly Corp. and the America Investment Company, the investment affiliate of the Bank of America of California. In November 1930 at the time of the merger of the two banks, which created Bank of America NT&SA, the wholly owned investment affiliate, Bankamerica Company was created. This continued for several years but was finally disposed of under the terms of the Glass-Steagall Bank Act. However, Bankamerica Compny acted by and for the bank during this period and its achievments should be regarded as those of the bank.

The real contributions made by the bank was its leadership in California, even though an idea, program or project may have been instigated outside the state. The bank gave tremendous support to worthy goals that preceded the usual "me too" response by other California banks. We were the "leader" but did not always originate though we frequently improved and expanded on good ideas.

I have attempted to provide references for amolification as well as verification. As most of my personal business files and records have been

donated to the University of California Institute of Governmental Studies, though available for reference, research of the banks various files, records and libraries are the best sources. There should be copies of most of my addresses and articles in BISD (now WBD) and marketing services and some may have trickled into other departments.

Some of the subjects may be consolidated or be treated as a series. It must be realized that things tend to change - what was important once may no longer be so. However, they were important and projected the banks leadership role when it was the thing to do.

Attached are my suggestions - not in chronological sequence. I hope they will be helpful. Please let me know if you need any amplification. I am sure that staff will be interested in the background that laid the ground work for some of today's policies, services and operations.

Best regards!

Sincerely,

Alan Boone

AKB;eh
enclosures

1932 - "BACK TO GOOD TIMES"

A.P. instigated a "Back to Good Times" campaign to stimulate business and industry in California. The bank was the first and took the leadership in attempting to counteract the effects of the depression on Californians and the economy of the State. Competitor banks could only "damn with faint praise" - suggesting that we should not look back. (See Biography of a Bank - pages 350, 356-58, 360)

1932 - GOLDEN GATE BRIDGE AND HIGHWAY DISTRICT

A condition of the Bank's purchase of the first block of 6 million bonds was that the Bank (Bankamerica Company) would head an underwriting group to buy and distribute the remaining 29 million bonds, which it did. (See The Bond Buyer, Moody's Government Manual, Walker's Manual, Commercial and Financial Chronicle. Also legal opinions, etc. of Orrick, Herrington & Sutcliffe, S.F. and BISD underwriting files)

1933-1937 METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

In his many dealings with Jesse H. Jones, A.P. agreed to purchase a substantial amount of the 208 million MWD bonds from the RFC which had provided the construction funds. The bank took the lead in bringing these bonds to market through Bankamerica Company in addition to its own investments. Competition from other bankers followed when the market realized what a good security it was. (See The Bond Buyer, Walker's Manual, Moody's Government Manual, Commercial & Financial Chronicle. Also legal opinion of O'Melveny & Myers, L.A. and BISD underwriting files) - Another reference - "Fifty Billion Dollars by Jesse H. Jones)

1941 - STATE OF ARKANSAS HIGHWAY BONDS

The RFC had purchased 136 million refunding bonds in competition with a group of bankers led by the Chase National Bank. Jesse Jones then sold 10 million plus to the Bank of America. This started the ball rolling and the RFC sold the remaining bonds to other banks and dealers. (See The Bond Buyer, Walker's Manual, Moody's Government Manual, Commercial & Financial Chronicle and "Fifty Billion Dollars" by Jesse H. Jones.)

1929-1931 - 41 MILLION SPRING VALLEY WATER BONDS (dated 7/1/28)

San Francisco had voted a bond issue to purchase the Spring Valley Water Co. It was unable to sell the bonds because of a 4½% interest rate limitation. AP negotiated the purchase of the bond issue so San Francisco could complete its acquisition. The bank then sold the bonds to an underwriting syndicate and was compensated by an increased banking relationship with the city. (See The Bond Buyer, Walker's Manual, Commercial and Financial Chronicle, Moody's Government Manual, records of S.F., legal opinion of Wood & Dawson, N.Y. and Orrick, Herrington & Sutcliffe, S.F. and BISD underwriting files.)

1927 BANK OF ITALY NT&SA

On March 1, following the signing of the McFadden Act, the bank became a National bank, consolidated its acquisitions, which made it the 3rd largest bank in the U.S. and exceeded all of its California competitors.

In effect the bank was the first to utilize and benefit from the provisions of the McFadden Act. (See: Biography of a Bank)

1932 - 1941 CALIFORNIA IRRIGATION DISTRICTS

The bank was the largest holder of such bonds, particularly the Imperial Irrigation District. It took the lead in cooperation with the RFC to help finance and refinance the various district debts. Through its corporate and re-finance department it acted as a bondholder's protective committee which ultimately successfully concluded the re-organizations. (See: The Bond Buyer, Walker's Manual, Moody's Government Manual, State of California Water Resource Publications, legal opinion of Orrick, Herrington & Sutcliffe, BISD files and W.D. (Hernando) Courtright, the well known Beverly Hills Hotel owner) and formerly head of the Corporate and Re-finance Department of the bank)

1935 - 1936 STATE OF CALIFORNIA - STATEMENT OF BONDED INDEBTEDNESS

The bank took the lead in compiling the data that was the forerunner of comprehensive reporting by the state and political subdivisions. (See: Statement of Bonded Indebtedness as of 9/30/36 compiled by the State Department of Finance)

1960 - 1965 STATE OF CALIFORNIA - CODIFICATION OF GENERAL LAWS AND STATUTES AND LEGISLATIVE COUNSELS DIGESTS

The bank took the lead in support of the conversion of the state's many laws in today's codes. It also originated the inclusion of the legislative counsel's digest of all new bills so as to put an end to "Skeleton Bills". (See: Hal Broaders and BISD files)

1965- 1967 ANALYSIS OF CALIFORNIA DISTRICT LAWS

The bank took the lead in advancing the need for an analysis of California District Laws, a clean-up of obsolete legislation and creation of Local Agency Formation Commissions. See: Analysis of California District Laws prepared for Assembly Interim Committee on Municipal and County Government - 1965, Hal Broaders and former Assemblyman John T. Knox and BISD files)

1944- 1946 MARKET STREET RAILWAY, S.F.

The privately owned Market Street Railway was about to collapse. Shortage of material, the heavy wartime traffic and lack of funds gave the bank an opportunity to finance the purchase of the system for the City to consolidate its Municipal Railway System. See: City of S.F. records, legal opinion of Orrick, Herrington & Sutcliffe, Alan Bartlett and bank records.)

1941- 1942 PEARL HARBOR

The bank was officially opening its new Headquarters Building at 300 Montgomery Street, December 8, 1941, having moved from #1 Powell the week before. Open house was planned and floral offerings from all over the world soon found their way to the 11th Floor. Down on the 2nd Floor the Municipal Bond Department was anticipating a breaking-in period of new communication equipment - but the news of Pearl Harbor shocked the financial markets of the U.S. The MBD was deluged with telephone and

wire requests for bids on millions of dollars of municipal bonds. Realizing there was a panic in the making as, there were no bids - and in view of the extensive holdings of the bank, it was decided to flash a sign of confidence and make bids. So for the next few weeks the bank made bids on all eligible municipal bonds. It bought most of them but as the days passed, others entered the market in due course and some order was restored - confidence was established. Without the leadership of the bank there is no telling what impact there would have been on the financial community and the morale of citizens. (See: BISD files and Alan Browne)

1950 CALIFORNIA MUNICIPAL BOND RATINGS

Recognizing the lack of or inadequacy of credit ratings on California municipal bonds, the bank took the lead and established its own credit rating system which enabled California's extensive infra-structure to receive respectable bids for the less well known names. The ratings were particularly helpful to National Bank Examiners. (See: BISD files, Alan Bartlett, Merrill Ring, Alan Browne)

1950-1971 CALIFORNIA MUNICIPAL BOND AVERAGES

As a tool for investment and underwriting the bank was the first to establish a weekly California municipal bond average (10 and 20 years) based on current coupons as distinguised from specific coupons of older issues used in other averages. They were a sensitive and very competitive tool. (See: BISD files and Alan Browne)

1946 COMPENDIUM OF VOTED, SOLD, BALANCE UNSOLD, BOND SALES AND PENDING BOND ELECTIONS, RESULTS OF SALES, ETC.

For use of BISD and other departments, and customers/the bank developed, produced and maintained a concise compendium of California municipal bonds. No one else attempted to do so. (See: BISD files and Art Micheletti, Alan Bartlett and Merrill Ring)

1946 EDP AND COMPUTERS

At the close of WW2, the bank had little or no EDP equipment. Not much was known and application was questionable. As I had been involved with the largest government use of such equipment outside of the Census Bureau while in service, I recommended to R.P.A. Everard, that the BISD should have such equipment for tabulating and recording our securities, including maturity schedules, credit ratings, costs, average yields, geographic distribution, etc. Later I suggested other accounting records, bond allocations and bid computations. Apparently EDP and computers did not have high priority so my request languished except for some tab records. It was not until one of our competitors used his computer program to beat us on a bond sale that we were able to move in the direction we had recommended. I believe we were the first to conceive the use of EDP and computers in managing the bank's investments and investment banking responsibilities, but we had to wait for fruition. (See: BISD files, Walter Gudat, Art Micheletti, Merrill Ring, Clark Beise)

1946 MASS RAPID TRANSIT

The bank was the leader in advancing the financing of Mass Rapid Transit in California and other states. I participated in the creation of BART, the evolution of the Los Angeles Metro Transit Authority, creation of AC Transit, modernization of the S.F. Municipal Railway. I spoke before transit related groups all over the U.S., wrote articles and testified in Congress. (See: BISD files and the records of the above California transit systems)

1927 - 1929 GIANNINI FOUNDATION OF AGRICULTURAL ECONOMICS

The gift of 1½ million to the University of California was the first by a bank to enhance California's agriculture. (See: Biography of a Bank and Mrs. Claire Giannini Hoffman)

1952 MUNICIPAL BOND ADVERTISING

The Bank was the first to include in its ads thematic vignettes relating to the issuer and purpose. Later it launched a community service campaign (first) to reflect the bank's interest in the local governmental unit whose bonds had been purchased. It enabled branches to show that depositors money was being used to support their local needs. (See: Albert-Frank-Guenther Law Advertising Agency, Art Laib and an address I made before the N.Y. Financial Advertisers 2/28/63)

1934-1936 JOINT HIGHWAY DISTRICT #13 BONDS - Dated 2/1/34

The bank headed a syndicate that purchased this issue. It was the first and last time the Act was used. Funds were used to build the original Broadway Low Level Tunnel through the Oakland Hills. Bonds were secured by the gas tax revenues of Alameda and Contra Costa Counties. (See: The Bond Buyer, Moody's Government Manual, and BISD records)

1932 BACK TO GOOD TIMES

To promote California's economy the bank undertook to purchase many municipal bond issues that had been voted but could not be sold because of higher interest rates. To offset the potential market loss, public deposits were secured. In due course markets improved and bonds were sold at a profit. Included were bonds issued by the Los Angeles County Flood Control District, City of Santa Monica Breakwater bonds and Vallejo School and High School District bonds. Later the bank took the lead in aiding other cities and districts to obtain funds from the PWA (4%) and at times purchased issues directly. (See: Bond Buyer, Moody's Government Manual, records of the RFC and PWA and BISD records. Also applicable legal opinions)

Date ? SACRAMENTO REDEVELOPMENT AGENCY

The first major use of tax-increment bonds by a California Development Agency was for the Capitol Mall Project in downtown Sacramento. Bonds were not moving as investors either did not understand the Act or were uncertain of credit quality. The bank believed in the project and bought a substantial block of bonds which spelled success for the project. (See: The Bond Buyer, Moody's Government Manual, City of Sacramento, Hal Broaders, Blyth & Co, and BISD records)

1930's MUNICIPAL FINANCIAL CONSULTING AND STATISTICAL SERVICES

Prior to the Great Depression, municipal financial consulting was unheard of. It took the defaults of the 1930's to alert investors and underwriters of the need for pertinent statistical data and professional help to work out debt problems.

The bank took the lead in assisting troubled irrigation districts. It also, in cooperation with the No Quarter Club (later Municipal Bond Club of San Francisco) obtained detailed county maps from Rand McNally showing the boundaries of all taxing districts in the state.

The bank began its extensive Historical Statistical Library containing published reports from all levels of government, compiled tax collection records, debt statements and assessed valuations, etc.

Because of lack of details, the bank started a compiliation of defaults in cooperation with the Municipal Finance Officers Association which published a nationwide report (1935)

The bank supported a fledgling new enterprise - California Municipal Statistics, Inc. that entered the field to provide a subscriber oriented service and helped its expansion.

The bank encouraged another service which was launched by Stone & Youngberg designed to assist municipalities in setting up new bond issues and to work out debt reorganizations.

At later dates the bank supported Blyth & Co. and Smith Barney & Co. as they entered the California consulting field.

So the records will show that the bank was the leader in recognizing the need for specialized municipal financial services. (See: BISD records, Stone & Youngberg, Blyth & Co.)

1970's ALASKA NORTH SHORE DEVELOPMENT

This is a fascinating story of the bank's imaginative use of its facilities and know how in competition with the leading banks and government bond dealers, to maximize the return on Alaska's new found royalties and to develop a profitable customer relationship. (See: WSJ, Lee Prussia and Gene Evenskas)

1970's GOVERNMENT BOND QUOTE SHEETS

A bottleneck had developed in producing daily quote sheets for use in branches and for customers as the number of issues multiplied. The bank was the leader in developing a computer solution which speeded up delivery while making the necessary daily adjustments. (See: BISD files and personnel)

1970's GOVERNMENT BOND QUOTATIONS

With the opening of a N.Y. Office and in anticipation of becoming a recognized government bond dealer, the bank took the lead in developing a quotation board which would reflect desired and necessary changes in market simultaneously in N.Y., S.F. and Los Angeles. (See: BISD records and personnel - Bunker Ramo)

1930's DEPARTMENT OF WATER & POWER OF THE CITY OF LOS ANGELES

The bank through its investment affiliate Bankamerica Co., played a key role in the launching of the initial revenue bond issues by the DEWDP. Guy Meyer who had a reputation for negotiating the takeover of private utilities by public entities had put together a deal for Los Angeles to acquire properties from Southern California Edison. He approached me to buy the bonds privately but I stated that it should be a public competitors sale and it was. We were a member of the underwriting group and at a later date we headed a syndicate that bought the first issue of Water Revenue Bonds. (See: Bond Buyer, Moody's Government Manual L.A. DEWDP records and BISD records)

1960's COLOR COORDINATED MUNICIPAL BOND CIRCULARS

To assist in marketing various municipal bond issues, the bank originated circulars with colored borders to coincide with the type of bond described, state, city, county, district, out-of-state, etc. (See: BISD records, Art Laib, Albert Frank Guenther Law)

1952 MUNICIPAL UNDERWRITING AND SYNDICATION

As the bank's underwriting activities increased after WWII, it took a hard look at the securities industry's procedures and documentation. Not only were there more issues, but the dollar amounts increased in size. To enable the larger issues to be marketed nationwise, the bank developed cross-country syndication and conducted syndicate meetings in N.Y., S.F. and L.A. Sometimes simultaneously. Syndicate agreements were rewritten and annotated. Next day ads were run in the financial media to cover the nation's major markets. New issue circulars were printed and made available the next day for syndiate members in selected markets. Use of facsimile transmission of ads and circulars to key markets speeded up the process. Allocation of member's orders and confirmations were also dispatched overnight.

The bank met the challenge and took the lead in innovating. Because of the widespread interest in what the bank was doing, the bank conducted a nationwide industry survey covering a variety of subjects which were pertinent to municipal securities. Subsequently the results of the survey were distributed to participants and the media.

The survey evoked considerable interest and the results laid the ground work for improving many industry practices over the years. (See: BISD records and copies of speeches and articles)

1971 AMERICAN BANKERS ASSOCIATION - BANK INVESTMENT COMMITTEE

The bank took the lead in having the ABA create a Bank Investments Committee. (See: BISD records and ABA)

1970-71 CALIFORNIA BANKERS ASSOCIATION INVESTMENT COMMITTEE AND PUBLIC FINANCE COMMITTEE

As in the ABA the bank took lead in having the CBA create the committees (See: BISD records, CBA and Hal Broaders)

1965 - COMPTROLLER OF THE CURRENCY INVESTMENT SECURITIES ADVISORY COMMITTEE

The bank convinced the Comptroller (James J. Saxon) of the need for such a committee and helped in the formulation of investment securities regulations for national banks. (See: BISD records and Comp. of the Currency)

1941 - GLASS-STEAGALL BANK ACT

The bank has had a long history of seeking to have the Glass-Steagall Bank Act amended to permit commercial banks to underwrite and deal in municipal revenue bonds. From 1927 (Maloney Act) to 1934 (Glass-Steagall) there was no problem but between 1934 and 1941 the Comptroller of the Currency ruled that bonds of the Port of New York Authority were "general obligations" and later reversed his ruling. As the bank had been an underwriter of Port bonds it participated in efforts to change the ruling. However, WWII curbed further activity.

With the growing volume of revenue bonds in the post WWII period the bank became the lead bank in the West to seek congressional action to permit banks to underwrite and deal in municipal revenue bonds. Harris Trust in Chicago and First National City Bank in N.Y. together with B of A formed a committee to include other banks to carry on the legislative assault.

The records will show that the bank, together with Washington counsel, organized the campaign, developed testimony and supoort and at times testified before congressional committees, the Federal Reserve Board and Comptroller of the Currency. I would assume that the bank still plays an active role in seeking change. Sec. 5136 of the U.S. Revised Statutes has been amended several times to broaden underwriting powers of banks - partly thru the B of A's efforts. (See: BISD records, Congressional Records, The Bond Buyer, Comptroller of the Currency, Bank's Washington representative and Hal Broaders)

1968-1971 INVESTMENT BANKERS ASSOCIATION - SECURITIES INDUSTRY ASSOCIATION - PUBLIC FINANCE ASSOCIATION - DEALER BANK ASSOCIATION

While the bank had been a member of the IBA since the 1930's it was relegated to a minor role. Competition between dealers and banks, aggravated by the Glass-Steagall controversy, placed bank members in a second class role. Seldom did a bank find one of its officers selected for a key office. Finally when the IBA decided to oppose as an organization the push of banks for revenue bond underwriting, many banks took a second look at their status and some dropped out.

However, the bank worked from within to push for a re-organization of the IBA. The bank's plan was to a great extent accepted providing for some autonomy for members whose business was largely government, agency and municipal securities. The name of the IBA was changed to the Securities Industry Association and the geographical groups were revised. Out of this early effort the Public Finance Association was created.

In the late 1960's, during the continuing conflict between banks and dealers over revenue bond underwriting, there was some bank sentiment

for a separate organization (such as the Public Finance Association).

At a strategy meeting I attended in N.Y. with other bankers, I proposed the formation of an organization comprised of banks dealing in municipals, federal agencies and government. Banks could continue to be members of the IBA and SIA but non-bank dealers could not belong to the dealer-bank organization. There was some support but most banks chickened-out. History indicates that the bank's idea was ultimately accepted with the creation of the Dealer Bank Association (DBA). (See: BISD files, IBA, SIA, PSA and DBA records)

1946 - CALIFORNIA MUNICIPAL BOND UNDERWRITING

For years major California municipal bond underwriting was dominated by Eastern managed syndicates or by their Western correspondents. It was an accepted state of the marketplace. However, the bank decided that it's role was being negated and made its first break with the past by withdrawing from an historical syndicate managed by the First National Bank of N.Y. to bid on State of California bonds. As I recall the occasion it was a $24 million Unemployment Relief bond issue sold in 1934. It was an auction bid and the bank was successful for 3½% bonds.

This established a trend but the number of large issues dwindled prior to 1942 with almost no sales between 1942-46. Because of men in service BID had limited personnel and not much experience so it reverted to letting others head the syndicates though the bank usually placed the bids and providedgood faith deposits.

Recognizing the growth potential of the California Municipal bond market, I convinced management in 1946 that we should enunciate AP's credo - i.e.,"the bank would bid for all California municipal bond issues, regardless of size, that could be legally purchased and were creditworthy".

The records will indicate that the bank adhered to this policy for many years until interest rate limitations reduced or eliminated marketability. The financing of California's infrastructure during this period is a tribute to the bank's leadership.

During this period the bank's role was challenged by almost every syndicate manager - but nearly all accepted and stayed to join B of A managed accounts. It was made palatable as the bank accepted other managers in their trade areas, but reserved the management role in the 12th Federal Reserve District.

Aside from being the largest holder of state and municipal bonds, the records will show that the bank was the "leading" underwriter for several years. (See: BISD files, The Bond Buyer, IBA-SIA records)

1969 - MUNICIPAL FINANCIAL CONSULTING

As a source of new business and service to customers, BISD established a Municipal Financial Consulting Department. It was the first California

bank to do so and was the first to provide a broad range of services. Prior to this a few New England banks provided an agency type service for local units of government on a limited basis.

Acquisition of Stone & Youngberg Municipal Financing Consultants, Inc., Wainwright Ramsey and California Municipal Statistics, Inc. were recommended and creation of a subsidiary to provide credit ratings, portfolio appraisals, area studies and consulting support for state and local government were proposed but were not acted upon.

Today most major banks have followed B of A's lead.
(See: BISD records, Directory of Muni Bond Dealers, Art Micheletti

941 - FINANCIAL SERVICES

Between 1927-34 the bank could provide numerous financial services under the Maloney Act but were changed or eliminated under the Glass-Steagall Act.

The bank continued as a dealer in government, federal agency and municipal securities. Branch customer orders for corporate securities were relayed to brokers (First Calif. Co. and Walston & Co.) Trust Department orders were handled through their traders.

My proposal to establish a Customer Securities Department to handle all branch orders and act as agent for the Trust Department was not acted on.

After WWII various suggestions were made to re-align the handling of customer orders, but about all that happened was that government and municipal security orders went to the BISD for execution. Later that was done for the Trust Department as agent.

Creation of the BISD enabled the department to extend its financial services. Dealing in Bankers Acceptances and Commercial Paper became a BISD function. Also Bank C/D's.

Temporary borrowing by local government was transferred to BISD.

Formation of a Municipal Bond Fund and pooling of bankers acceptances and issuing a participation certificate were suggested.

Placing customer service officers in key branches was proposed.

Recalling the issuance of collateral trust notes by Bankitaly Mortgage Co. in the 1920's it was suggested that the bank seek to move some of its real estate paper through investment banking channels.

Qualifying as a reporting government bond dealer to the N.Y. Fed was initiated.

Participation in the N.Y. and European money markets was suggested, including foreign exchange.

Establishing a clearing agency in New York and expanding San Francisco and Los Angeles services.

While many of the ideas required regulatory approval and sophisticated electronic and communication equipment, the imagination of the 1960's and 70's laid the ground work for the 1980's. (See: BISD files)

1960's 1970's REGULATION OF THE MUNICIPAL BOND BUSINESS

The bank's active participation in security industry affairs exposed it to some of the abuses that certain dealers practiced. Bank regulatory agencies, the SEC and State Commissions pressured Congress to do something about it.

The bank switched from self-regulation by the industry to support of the SEC's position and took a lead in establishing the rules. (See: BISD, SEC, Bond Buyer)

1950 - 1970's MARKETING OF MUNICIPAL BONDS

The bank has been a leader in support of measures that would help state and local government market their bonds. Among the many suggestions that have been adopted by the industry are:

Legal opinions printed on bonds. The bank was the leader in California and helped nationally.

Uniform size of bonds

Wing Bonds

Inter-changeable registered bonds

Engraved and Lithographic Bonds

Fiscal Paying Agency

Standard Circulars

Improved Statistical Reporting

CUSIP Identification

Municipal Bond Insurance

Independent Credit Ratings

One Manual Signature on Bonds

(See: BISD records, MFOA, The Bond Buyer, State and local officials. Hal Broaders

1946 - ETHICS

The bank has been a leader in adopting and maintaining ethical practices in the municipal securities industry, including underwriting, trading, selling and consulting. (See: BISD files, IBA, SIA, PSA, DBAG and Municipal Rulemaking Board)

968-
969

CALIFORNIA DEBT ADVISORY COMMISSION

For several years the bank has recommended the creation of a State agency that would embrace the function of the California District Securities Commission and be patterned after municipal advisory groups established by other states. The bank worked with the California Taxpayers Association, The League of California Cities, bond attorneys, the State Treasurer (Ivy Baker Priest) and others. Legislation was drafted but not introduced because of differences of opinion. The bank was the leader and it is interesting to note - several years later that a California Debt Advisory Commission has been created. (See: BISD files, Calif. Taxpayers Assoc., League of Calif Cities, Hal Broaders, Jesse Unruh)

946

STATE OF CALIFORNIA G.O. BOND FINANCING

Historically the bank has been the leader not only in managing syndicates that bought the state's G.O.'s - but as an advisor and consultant to broaden the market for state bonds.

Studies on the state's credit (much of which was accepted by the Treasurer's office in their bond sale prospectus's), assisting in improving credit ratings, advising members of the legislature and constitutional officers on problems and recommending numerous constitutional, statutory and procedural changes. Some of the suggestions include the following:

State G.O.'s have a first lien on the General Fund.

Issuance of Revenue Anticipation Notes

Interchangeability of registered and coupon bonds - including large denominations

Fiscal paying agents - N.Y., Cgo., L.A. and S.F. in addition to Sacto.

Preservation of the taxing power of the state under Art. III (since repealed) in support of the state's G.O.'s.

Raising the interest rate limitations on the state's bonds - authorized and unsold and new issues.

Developing a debt limit related to General Fund expenditures.

Consideration of a State Bond Bank for small borrowers and to help with state mandated programs that strained local government resources.

The bank took the lead in coming to the aid of the state when it needed funds. It's officers were often asked to head statewide bond campaigns, including the State Water Program (California Water Resource Development Bond Act of 1959)

1950's
-70's

PUBLIC DEPOSITS

The bank was the leader in legislation involving public deposits. It sought to liberalize collateral requirements and eligibility of various securities. It took hold of the pooled fund concept and drafted the legislation that ultimately was adopted. (See: BISD corres. Calif. Codes - CBA and Hal Broaders)

1960's EMBARCADERO STATION - BART

The original plans for BART called for the first station at Montgomery Street. With the development of the Golden Gateway and projects on the South side of Market Street, there was urgent need for a station tween Montgomery Street and the Ferry Building. BART engineers told the Market Street Development Assn. that they could rough in a station if they had the plans. The station could later be completed when funds were available. The cost of the plans was $500,000 and a completed station would run into the millions. The bank was approached to help as a contributor and to recommend a financing plan. The bank pointed out that there were three alternatives. 1. Form a special assessment district. 2. Vote a bond issue. 3. Finance through the S.F. Redevelopment Agency. Blyth & Co. was employed for a financing feasibility study and Orrick, Herrington & Sutcliffe to do the legal work. In the interest of time option 3 was selected. The Golden Gateway Redevelopment boundaries were extended from the North side of Market Street to the South side. The courts held that the assessed valuation of the redevelopment area could be rolled back to the value established at the time of redevelopment. This provided a substantial tax increment for the agency's bonds as there were several new hi-rise buildings under construction or completed in the North of Market Street area. In due course the agency sold its bonds at an attractive rate and the Embarcadero Station was completed.

The leadership of the bank benefited BART, San Francisco property owners, commuters, employers and related businesses. (See: BISD records, S.F. Redev. Agency, Market St. Dev. Proj, Inc., Blyth & Co. and Orrick, Herrington & Sutcliffe)

1960-70's CALIFORNIA CONSTITUTION REVISION COMMISSION

As an alternative to calling a Constitutional Convention, the State Legislature created a Constitutional Revision Commission that reviewed the state constitution article by article, proposing various changes to be approved by the voters.

The bank took a leading part in assisting the commission in their hearings on sections that related to state and local financing. In addition a bank officer served as a member of the commission. (See: BISD files, records of the Commission, Hal Broaders and Harry Bardt)

1946-1950 SACRAMENTO MUNICIPAL UTILITY DISTRICT

The Sacramento MUD had been formed to purchase the properties of Pacific Gas & Electric Co. serving the area. A bond issue was voted but litigation proceedings dragged on. By the time the courts ruled in favor of SMUD the price exceeded the bond issue. It was felt that the time and expense of holding an election for another bond issue might result in its defeat.

The law firm of Orrick, Herrington & Sutcliffe rendered an opinion that SMUD could sell its bonds as 5% bonds and use the premiums to augment the principal amount of the bond issue. Current market rates were much lower. New York bond attorneys disagreed with Orrick's opinion and stressed the need for a court test case. Syndicates which

had been formed to bid on the SMUD bond issue crumbled and dissolved - all except B of A., though many partners withdrew. The bank made its bid, bought bonds and had a very successful syndication. By its leadership the bank made it possible for the district to complete its purchase of the PG&E properties and to launch the development of its customer services in the area. (See: BISD records, The Bond Buyer, Moody's Government Manual, SMUD records, Orrick, Herrington & Sutcliffe)

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October 11, 1983

Miss Anne Kempton
Executive Office #3001
Bank of America NT&SA
555 California Street
San Francisco, CA 94104

Dear Miss Kempton:

This is a follow-up to our telephone conversation of October 5, 1983 concerning the history of Bank of America's role in municipal bond financing.

I mentioned that I would see if I had any data that might be helpful, also to clarify some of my comments over the phone.

You indicated that you found some records destroyed and others placed in storage. I suggested that you contact Merrill Ring to whom I passed on reference material as well as the expansion of BISD's financial library. I also suggested you contact Russell G. Smith, retired Executive Vice President and former head of International Banking (now World Banking). He is located in the retired officers' suite, 555 California Street.

In researching what little historial material I have retained, I am enclosing copies of the following:

1. Extracts from a handbook used by branches of the Bank of Italy (pre November 1930). These two pages will provide you with some background material on the bank's "Bond" Department prior to the merger of Bank of Italy NT&SA and Bank of America of California in November 1930.

2. Copy of a letter dated September 28, 1938 which I addressed to M. S. Prosser, Asst. Vice President, concerning California municipal bond sales, together with supporting details.

3. Copy of a letter dated September 29, 1938 addressed to R. G. Smith, V.P. and cashier, by M. S. Prosser, incorporating details from my letter of September 1938.

4. List of California municipal bond sales January-October 1933.

5. List of municipal bond purchases by Bankamerica Company 1935.

6. California municipal bond sales 1939.

7. Extract from The Bond Buyer, December 21, 1929, re $41 million City and County of San Francisco Spring Valley Bonds.

8. A copy of a press clipping from the S. F. News July 11 or 12, 1946, re $10½ million Sacramento Municipal Utility District Bonds.

9. Copy of a memo dated October 19, 1946 re $35 million Golden Gate Bridge and Highway District financing.

10. Copy of a memo dated March 15, 1949 re financing the San Francisco Market Street Railway purchase.

11. My notes indicated that the Bank of Italy's Bond Department and Securities Division National Bankitaly Co. headed groups or bought directly a major portion of the East Bay Municipal Utility District's original 5% bond issue dated 1/1/25. (Sales: 9/3/26, 2/11/27, 3/16, 8/24, 12/6/28, 3/1, 10/9, 12/27/29, and 3/5/30.)

12. Copy of a letter dated March 31, 1983, I addressed to Susan R. Morgan, AVP World Banking Division #5038. Its possible you haven't seen this as material isn't always circulated.

13. During my career I frequently contributed articles, addressed groups and participated in various seminars and forums. Most of these were published in booklet form and given wide circulation in the financial community. I know that Merrill Ring kept copies and would assume that Corporate Communications would also have copies filed somewhere. Here are a couple you might want to look up:

    "Bank of America's Role in Municipal Finance," the Municipal Finance Forum of Washington, May 3, 1968.

    "Bank of America's Investment Department," Western Banker, March 1969.

    P.S. I think Lee Prussia used some of the above for a speech he made at a later date on the same subject.

To conclude, I am also sending you a brief outline of the Bank's historical role in municipal bond financing and related comments.

Good luck on your research project. Let me know if I can be of any further help.

Sincerely,

Alan K. Browne

Enclosures

BANK OF AMERICA N.T.S.A.
OUTLINE
MUNICIPAL BOND UNDERWRITING ROLE

1904-1917. Bank of Italy was a state bank. It did not participate in underwriting and dealing in bonds. Its investment needs were met through the purchase and sale and subscriptions for bonds through others. Acquisition of other banks also provided additions to the bank's bond portfolio.

1918-1927. Bank of Italy established a Bond Department initially to handle orders for W.W.I Liberty Loans, later to engage in municipal bond underwriting and dealing. The Bond Department purchased some bonds for the bank's investment portfolio, headed small underwriting syndicates, and participated in others.

1927-1930. With the passage of the McFadden Act in 1927, the Bank of Italy converted to a National Bank (Bank of Italy N.T.S.A.). A wholly-owned subsidiary, Securities Division, National Bankitaly Corporation, was established in 1928 to deal in stocks and bonds and became successor to the Bank of Italy's Bond Department. The bank's underwriting role was expanded and it became more aggressive in competing for new municipal bond issues as well as corporate stocks and bonds through its investment affiliate. The bank did buy an issue or two, such as the S.F. Spring Valley issue, at prices above the market and turned them over to the investment affiliate for sale.

1930-1933. In November 1930 the Bank of Italy N.T.S.A. and Bank of America of California, which had been created in 1927 to consolidate various bank acquisitions, not then included in the Bank of Italy. The result was the creation of the Bank of America N.T.S.A. Bank of Italy's investment affiliate, Securities Division National Bankitaly Corp., and Bank of America of California's affiliate, America Investment Co., were merged to form Bankamerica Company, a wholly-owned subsidiary of Bank of America N.T.S.A. Bankamerica Company's established objective was to become the "J. P. Morgan and Co. of the West." Another development was the formation of a Bond Investment Department to address itself to the bank's investment portfolio. This did not prevent dealing between the two entities, but Bankamerica Company's mission was to underwrite and distribute "investment securities" and process "buy and sell" orders originating in the branches. Bankamerica Company also continued the practice of its predecessors and dealt with the Trust Department. The proxy battle between A. P. Giannini and Elisha Walker (1931-32) took its toll on Bankamerica Company, as many of its top executives resigned because of their Walker ties. This left BACO with limited authority and diminished market stature. The Bond Investment Department also shrank.

1933-1936. The passage of the Banking Act of 1933 (GlassSteagall) separated investment banking from commercial banking. This meant that a commercial bank with an investment affiliate could liquidate the affiliate, sell it or absorb it. Absorption meant changing its role to conform to the new law, i.e. to only underwrite and deal in governments, federal agencies and state and municipal bonds--later interpreted to mean general obligations (g.o.'s). Banks could continue to act as agent for customers wishing to buy or sell stocks, corporate bonds, etc. Self-dealing with Trust Departments was prohibited. Investment affiliates were given one

year, with a five-year phase out. This was a period of adjustment as the nation struggled through the Great Depression. Gradually with the stimulus of the RFC, solving of municipal defaults and a decline in interest rates, municipal finance stabilized. Bankamerica Company was on its way to being separated from the bank, and in 1936 a decision was made to transfer the municipal bond operations to the Bond Investment Department. In 1936 M. S. Prosser was transferred to become manager of the bank's municipal bond portfolio. In a last-minute change, agreed to by L. M. Giannini, was that I (A. K. Browne) remain with Bankamerica Company as manager of the Municipal Bond Department. It was also agreed that Bankamerica Company would continue to underwrite and deal in municipal bonds, handle the bank's portfolio orders and act for the bank in municipal finance. The bank made several direct purchases of municipal bonds, such as the Golden Gate Bridge bonds, above market, and ultimately turned them over to BACO to market.

1937-1941. Bankamerica Company's ownership by the bank was phased out through a series of stock transactions within the Transamerica Family with Pacific Coast Mortgage Company being the final resting place. Inter-Coast Sales and Associated America Distributors that had been created by Transamerica Corporation to wholesale and retail Bank of America stock, were merged into Bankamerica Company. In due course BACO was disposed of and changed its name to First California Company. First California Company and Walston and Company continued to handle B of A branch brokerage orders for a number of years until the bank re-established its own customer's service. In 1941 A. K. Browne transferred back to the Bond Investment Department and established the Municipal Bond Department. Up to this time the BID had not functioned as a dealer using BACO as its agent. The opening of the Municipal Bond Department posed a dilemma. BACO (soon to become First California Co.) continued its municipal bond operations and adhered to established historical syndicate arrangements. Under these circumstances the MBD started from scratch and established its own syndicates, acting always as manager. This meant that a number of banks and dealers that thought they were bidding with B of A found themselves in competition. Result was a quick exodus as they tried to join B of A managed syndicates. This gave the bank the opportunity to pick and choose. Meanwhile BACO went out of the municipal bond business.

1941-1945. The new Municipal Bond Department was aided by the bank's move of its head office from #1 Powell to 300 Montgomery with more space and improved communications equipment. Unfortunately the "open house" was December 8, 1941. For the next few months the impact of W.W.II on the financial markets was a real test for BISD and MBD. Before long most of the senior officers were in service, leaving a skeleton crew. The war years saw very little new municipal bond financing, but lots of liquidation as institutional investors took advantage of the high prices of municipal bonds and switched to governments to finance the war effort. The excess profit tax had put a premium on municipals. What little new municipal bond financing that materialized had to be managed by others as the BISD-MBD did not have the manpower or expertise.

1946-1964. As former officers returned from service, the pent-up demand for new municipal public works and the replacement of worn out facilities plus the payment of veterans' bonuses stimulated the expansion of the Municipal Bond Department. The volume of new financing increased

dramatically as did the rise in interest rates, except for the brief period of the Korean conflict. The MBD was challenged as a leader as California became the focal point for the post-W.W.II boom. The Chase, Bankers Trust, Citicorp, Harris Trust, Lehman Bros., Morgan Guaranty, FNB Chicago, Saloman Bros., Kuhn, Loeb, and many others now merged and no longer identifiable tested the bank's leadership and most accepted. Syndicate management, top billing in advertising and publicity, ability to represent the syndicate to major institutional investors, preferred treatment on portfolio orders, fiscal paying agencies, occasional management fees and consulting services paved the way for acceptance of the bank's leadership role in the financial community and of course "big bucks" helped. In 1956 management established the Municipal Bond Department as a separate entity with the Bond Investment Department continuing to handle governments and federal agencies and to advise the trust department as well as administering term loans. A Los Angeles presence was beefed-up.

1964-1971. Management decided to establish one investment function in 1964. The Bond Investment Department, Municipal Bond Department, Securities Department, and the commercial paper and bankers acceptance dealer activities were added to the new Bank Investment Securities Division (BISD). With the move to 555 California from 300 Montgomery, new Los Angeles quarters and new offices in New York, the groundwork was laid for the bank to become a leading money market participant. Establishment of a Public Finance Department rounded out its services. New computer and communication technology added to its market penetration and set the stage for becoming a recognized government bond dealer to the Federal Reserve Bank and to develop a global presence.

NOTE: In the period 1904-1941 there were many organizations identified with the Giannini world that had some participation in municipal bond financing. However, most did not have a leadership role and have disappeared from the scene such as Bankitaly Corporation and Bankamerica, Blair Corp., America Invest Co., Merchants National Co., etc.

SUMMARY

1. From 1904-1917 the bank had no record of municipal bond underwriting.

2. From 1918-1927 the bank's Bond Department established a management role but to a limited degree, joining other syndicates.

3. From 1928-1930 the bank's investment affiliate continued its role but was not much different than other banks in the west.

4. From 1930-1945 the bank's investment affiliate was ultimately separated but still represented the bank's role as a municipal bond underwriter, but with limited capital and limited impact.

5. From 1945 to date the bank has functioned as a leader in municipal bond underwriting under the several internal organization changes.

REFERENCES

1. BISD records of California municipal bond sales. Old records were on 5x8 cards with data obtained from many sources. Later records were on underwriting forms and monthly re-caps.

2. The Bond Buyer.

3. Commercial and Financial Chronicle--Compendiums--now discontinued.

4. Legal opinions. The bank's extensive files covered all issues owned and/or purchased by the bank and its predecessors.

5. The Investment Banker's Association.

6. Walker's Manual of Pacific Coast Securities.

7. State, county, city and district reports.

8. Moodys, Standard and Poors, and California Municipal Statistics, Inc.

9. Scrapbooks compiled with ads of bond issues as keys to more detailed records (part of BISD archives).

(2)

BANKAMERICA COMPANY

From SAN FRANCISCO *Office*

To

Mr. M. S. Prosser,
Assistant Vice President,
Bank of America, N.T. & S.A.,
#1 Powell Street.

Subject: CALIFORNIA MUNICIPAL BOND SALES

Date September 28, 1938

Dear Mal:

I have finally completed my report on the activities of the Municipal Department of Bankamerica Company in regard to bidding on new issues of California Municipal bonds. The report is presented with a certain amount of detail as it is felt that the subject is of particular importance and the only proper way to present the matter without any misunderstanding, would be through the medium of a complete resume.

You will note that the report covers the period from June 1, 1933 up to the present time. While the greater number of new issues have been offered the last two months, it is only by consideration of a normal period that the significance of our activities is possible. The survey could proceed over any prior period with much the same result with the exception that the volume of offerings is greater at the present time due to the PWA program.

Before discussing the figures to be presented, it is well to consider our attitude on the subject of bidding on new California Municipal bond issues. It has been felt that bidding on new issues was a very important function of our department. It is good publicity for the Bank, as the bids are usually sent to the local branch for one of the officers to present. It shows a decided interest by the institution in the affairs of the political subdivisions selling the bonds and often results in the securing of new public deposits, through the proceeds of the sale. It serves the purpose of financing local municipal enterprise and places the Bank in a position to be financial advisor when the opportunity arises. In presenting bids for new municipal bond issues there are many things to consider which will affect the bid and which will be discussed at the conclusion of this report.

The period from June 1, 1938 to the present, according to our records, indicate a total of $5,269,200 par value bonds offered

for sale, representing eighty-five separate issues. This does not include any warrants, tax notes or similar types of securities. Of this total of $5,269,200 par value, Bankamerica Company bid on $4,541,000 representing 86.18% of the total and fifty-fix separate issues. A total of $728,200 par value representing 13.82% of the principal amount and twenty-nine separate issues were not bid on by Bankamerica Company for various reasons to be set forth below.

Of the $4,541,000 par value bid on by Bankamerica Company, a total of $1,056,000 par value representing 23.25% of the total and ten issues were purchased. On $907,000 par value representing 19.97% and fifteen issues, Bankamerica Company came in second. On $645,500 par value representing 14.22% and eleven issues, Bankamerica Company came in third. On $609,000 par value representing 13.42% and nine issues, Bankamerica Company came in fourth. On the balance of $1,323,000 representing 29.14 and eleven issues, the bids were below fourth place. While the "pay-off" is on the bonds you buy, my reason for showing the other places is to indicate our ability to be in the running though not always on the top. Too many times it is really the fellow who has high bid who loses, as quite a few of the issues we missed are available at reduced prices.

In reviewing the $728,000 par value we did not bid on we find the following:

$169,500 representing 3.22% and 9 issues received no bids.

$264,500 representing 5.02% and 7 issues were poor credits in our estimation.

$71,200 representing 1.35% and 9 issues were too small to present a satisfactory bid.

$30,000 representing 0.57% and one issue we did not bid for due to market reasons.

$63,000 representing 1.20% and one issue we did not bid for as the bonds were district bonds, and on

$130,000 representing 2.46% and two issues all the bids were rejected.

Considering that we would not have bid or would not have had award on the group of bonds entitled "No bids received", "Poor credit", "District bonds" and "Bids rejected", a total of $627,000 and nineteen issues, we can deduct this from the total of $5,269,200 and consider the remainder or $4,642,200 and sixty-six issues as a basis for comparison. This means that we actually bid on 97.82% of the marketable bonds.

When one considers the problems in connection with bidding

on new municipal bond issues, I think our record is very exceptional. The amount of time and effort expended has been considerable and the profits have been only fair.

In competing for new municipal bond issues we have to consider many things which affect bids. The most important thing is the disposition of the bonds. Without an order for the bonds, price ideas are often inclined to be out of line as there is no incentive to bid to buy if you don't know what you are going to do with them if purchased. We are often confronted by the small dealer who secures an order from an account and bids to buy at a price which is too high based on market conditions. Quite often this type of order emanates from small independent banks and it is tough competition. Then again we have the small dealer who doesn't have much opportunity to bid for inventory, and the purchase of new issues is one way of offsetting this. Another angle to consider is the matter of judgement as to the value of a municipal credit. On the active market names there is not much chance for a wide difference of opinion among the top bidders, but on the smaller, inactive and not-so-well known names there is often a distinct variation in price ideas. Price ideas result from a statistical survey, familiarity with the market for a similar bond or a possible order. We have always prided ourselves on our knowledge of municipal credits, records of defaults, and other bits of information too numerous to mention. They affect our bid and of course if one's competition does not have the same information, it may make bids vary widely either way. While an honest difference of opinion is in order, there are often terrific "slop-overs" which are the result of misinformation or poor judgement, not to mention errors in bidding. The real significance of the success of our bidding, either as purchaser or up to fourth place is brought out on the basis of being fairly accurate on the relative value of municipal credits.

In bidding for various California Municipal bond issues we have tried to present bids on practically all marketable issues. This has been difficult at times as the resale of bonds represented a problem. The outlets for the smaller names are limited and accounts soon become saturated. Without good outlets and proper distribution, new issues can become very "sticky". It is not difficult to buy bonds, but it is to sell them. Considering that the purchase of new issues is only one side of your municipal bond business, it is not practical to become tied up with small new issues. At any given time it may be better to pass a bond sale than to bid. While it would be interesting for comparative purposes, we have left out any reference to new issues which still remain unsold, but can say there are many of them, several of which we came in second or third in the bidding. Many of our competitors have concentrated their efforts by bidding only on those issues they have wanted and they have been able to sharpen their pencils

while we have tried to bid on all bond issues on the basis of equal importance. This may result in the purchase of no bonds, but it is a necessary procedure.

Reviewing our reasons for not bidding on certain issues, we can offer the following information:

The bond issues on which no bids were received are in most cases poor credits and there is no incentive to buy them. Those issues classified as "poor credits" are situations which are known to be bad or on which no adequate information could be obtained. Issues which are classified as "too small" are not always questionable, but information is often lacking. maturities and denominations are not always practical and often the legal expense is too great to warrant a fair bid. The issues "passed" because of market conditions are the result of limitations of interest rate or questionable credit. The title "district bonds" covers a wide range of issues which we haven't attempted to trade. District bonds are at best "sticky". Yield is usually greater and profit larger for handling. Most of these issues we don't handle as a matter of policy. On several issues bids have been rejected by the authorities holding the sale because of legal technicalities, market conditions, and recently, in many cases because no PWA grant had been allocated. All of these must be considered and enter into our discussions as to whether bids will be made or not.

To sum up our activities, I think we can stand on our record despite many handicaps. We often hear comments which would make it appear as though we were not active and that our competitors are outdoing us. I think the record belies this. Dealers or competing banks are so far behind us that there is no comparison. We feel that an understanding of our problems and activities will bring about a better appreciation of results obtained. Any comments or suggestions that may help us to improve our operations will be appreciated.

Kindest regards.

Very truly yours,

A. K. Browne
Manager
Municipal Department

AKB:bb
Enclosures

(3)

San Francisco

Bond Investment

Mr. R. G. Smith, Vice President & Cashier

San Francisco Headquarters

September 29, 1938

Dear Russ:

You recently requested a report on the activities of the Municipal Department in regard to the bidding on new issues of California municipal bonds. The attached report was prepared by Alan Browne, of Bankamerica Company, and sets forth in detail the position of Bankamerica Company on all new issues recently sold.

You will note the report covers the period of June 1, 1938 to September 20, 1938. While the greater number of new issues have been offered the last two months, due to the P.W.A. program, it was felt the report should cover a normal period such as June and July in order to accentuate the extreme activity of the department during recent weeks.

The period from June 1, 1938 to the present, according to our records, indicates a total of $5,269,200 par value bonds offered for sale, representing eighty-five separate issues. This does not include any warrants, tax notes or similar types of securities. Of this total of $5,269,200 par value, Bankamerica Company bid on $4,541,000 representing 86.18% of the total and fifty-six separate issues. A total of $728,200 par value representing 13.82% of the principal amount and twenty-nine separate issues were not bid on by Bankamerica Company for various reasons to be set forth below.

Of the $4,541,000 par value bid on by Bankamerica Company, a total of $1,056,000 par value representing 23.25% of the total and ten issues were purchased. On $907,000 par value representing 19.97% and fifteen issues, Bankamerica Company came in second. On $645,500 par value representing 14.22% and eleven issues, Bankamerica Company came in third. On $609,000 par value representing 13.42% and nine issues, Bankamerica Company came in fourth. On the balance of $1,323,000 representing 29.14 and eleven issues, the bids were below fourth place. While the "pay-off" is on the bonds you buy, our reason for showing the other places is to indicate our ability to be in the running though not always on the top. Too many times it is really the fellow who has high bid who loses, as quite a few of the issues we missed are available at reduced prices.

In reviewing the $728,000 par value we did not bid on we find the following:

$169,500 repres nting 3.22% and 9 issues received no bids.

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$ 63,000 representing 1.20% and one issue we did not bid for as the bonds were district bonds, and on

$130,000 representing 2.46% and two issues all the bids were rejected.

Considering that we would not have bid or would not have had award on the group of bonds entitled "No bids received", "Poor credit", "District bonds" and "Bids rejected", a total of $627,000 and nineteen issues, we can deduct this from the total of $5,269,200 and consider the remainder or $4,642,200 and sixty-six issues as a basis for comparison. This means that we actually bid on 97.82% of the marketable bonds.

I think you will agree that Bankamerica Company has established an excellent record in connection with bidding on new municipal bond issues.

Very truly yours,

M. S. Prosser
Assistant Vice President

MSP:MM
Enclosure

(4)

BOND SALE RESULTS FOR MONTH OF APRIL - 1933.[1]

April 24th $442,000 LOS ANGELES COUNTY FLOOD CONTROL DISTRICT 5% BONDS, Dated 7/2/1924; Due $442,000-7/2/1937.

Purchased by Security First National Co. (only bidder) at par plus a premium of $10.00.

April 17th *582,000 LOS ANGELES CITY HIGH SCHOOL DISTRICT (not exceed) 4½% BONDS, Dated 6/1/31; Due $155,000-6/1/1938; $32,000-6/1/1934; $16,000-6/1/1935/56.

*No bids received.

April 17th $141,000 LOS ANGELES CITY SCHOOL DISTRICT (Not exceeding) 4½% Dated 6/1/1931; Due $141,000 6/1/38

*No bids received.

April 11th $1,000,000 ALAMEDA COUNTY RELIEF 4 3/4% & 5% BONDS, Dated 1/1/1933; Due $128,000-1/1/1938; $170,000-1/1/1940/43; 187,000-1/1/44.

Awarded to: Bankamerica Co.) $501,000-4 3/4% - $128,000 1/1/38; 173,000
R. H. Moulton & Co.) 1/1/40/41; 10,000-1/1/43 sold on a bid with
Dean Witter & Co.) a premium of $65.00.
Anglo-Calif. Co.)
Heller Bruce & Co.) $500,000-5%- $157,000-1/1/43; 173,000-1 1/43
Wells Fargo) 187,000-1/1/44 sold over the counter at par
Weeden & Co.) plus accrued interest.

April 3rd $125,000 SAN MATEO COUNTY RELIEF 4½% BONDS, Dated 12/1/32; Due $28,000-12/1/1943/1944; $15,000-12/1/1945/1946.

Awarded to: Heller Bruce & Co. Prem. $801.00 on 4½'s - 4.30-1 1/2

BOND SALE RESULTS FOR MONTH OF MARCH 1933.
(None reported)

BOND SALE RESULTS FOR MONTH OF FEBRUARY 1933.

(Not Exceed)

Feb. 28th *500,000 ALAMEDA COUNTY RELIEF/5% BONDS, Dated 1/1/1933; Due $28,000 1/1/1938; $176,000-1/1/1939/40; $120,000-1/1/1941.

*One bid received by Dean Witter & Co. in name of Heller Bruce & Wells Fargo Bank & Trust, jointly, bidding par plus premium of $10.00 for 5's. Bid rejected. On March 7, 1933, 177,000 offered for sale over-the-counter at 4% maturing 28,000 in 1938 and 148,000 in 1939 but no bids received.

Feb. 28th $892,000. PASADENA WATER SERIES "B" (San Gabriel Water Project) 5% Bonds, Dated 2/15/1933; Due $32,000 2/15/1943/1973.

Sale postponed from February 21, 1933 to February 28, 1933. Purchased by Reconstruction Finance Corporation at par as 5's.

Feb. 20th $4,000 BELLEVIEW SCHOOL DISTRICT (Los Angeles County) 5% BONDS, Dated 2/1/1933; Due $400 2/1/1934/1943.

*No bids received.

*BONDS STILL TO BE SOLD.

[1] Additional pages omitted because copies unclear. Originals in Browne papers in The Bancroft Library.

(5)

MUNICIPAL BOND PURCHASES
BY
BANKAMERICA COMPANY
1935

AS SYNDICATE MANAGERS:

JANUARY 7TH	-	$ 380,000	SAN FRANCISCO SEWER 4's
" "	-	670,000	SAN FRANCISBO WATER DISTRIBUTION 4's
JANUARY 16TH	-	200,000	GOLDEN GATE BRIDGE & HIGHWAY DIST. "A" 4 3/4's
" "	-	5,000,000	GOLDEN GATE BRIDGE & HIGHWAY DIST. "B" 4 3/4's
JUNE 6TH	-	5,000,000	STATE OF CALIFORNIA VET. WELFARE 3's
AUGUST 19TH	-	250,000	SAN FRANCISCO HETCH HETCHY 5's and 3's
SEPTEMBER 23D	-	2,500,000	SAN FRANCISCO TAXANTICIPATION NOTES 3/8's
OCTOBER 30TH	-	3,000,000	GOLDEN GATE BRIDGE & HIGHWAY DIST. "C" 3 3/4's
Total -			$15,000,000

AS MEMBERS OF SYNDICATE:

FEBRUARY 25TH	-	$ 61,000	LONG BEACH CITY SCHOOL DIST. 4½'s
APRIL 4TH	-	24,000,000	STATE OF CALIF. RELIEF 3½'s
APRIL 19TH	-	1,044,000	SEATTLE, WASH. WATER REV. REF. 2's
AUGUST 29TH	-	2,505,000	LOS ANGELES CITY HI. SCH. DIST. 4's
OCTOBER 10TH	-	339,000	LONG BEACH CITY HI. SCH. DIST. 4's
" "	-	894,000	LONG BEACH CITY SCH. DIST. 4's
NOVEMBER 12TH	-	1,500,000	SAN FRANCISCO TAXANTICIPATION NOTES .20's
Total			$30,343,000

PURCHASED FOR OWN ACCOUNT:

AUGUST 5TH	-	$ 100,000	PIERCE JOINT UN. HI. SCH. DIST. 4¼'s
NOVEMBER 21ST	-	91,000	SALINAS CITY SCH. DIST. 5's & 2½'s
NOVEMBER 25TH	-	72,000	NEVADA SCH. DISTRICT 3 3/4's
NOVEMBER 25TH	-	75,000	GRASS VALLEY SCHOOL DIST. 4's
" "	-	46,000	NEVADA HI. SCH. DIST.3 3/4's
DECEMBER 2ND	-	60,000	LOS [illegible]S UN. HI. SCH. DIST. 2½'s & 2 3/4's
DECEMBER 9TH	-	48,000	CHICO SCH. DISTRICT 1 1/2's
" "	-	40,000	CHICO HI. SCH. DIST. 1 1/4's
DECEMBER 10TH	-	35,000	AMADOR VALLEY JT. UN.HI.SCH.DIST. 3½'s
DECEMBER 20TH	-	17,000	SONORA M.I. 3 3/4's
Total -			$ 584,000
GRAND TOTAL -			$45,927,000

(THIS DOES NOT INCLUDE JOINT ACCOUNT OPERATIONS ON GATES, STATES, OR ALAMEDA HIGH SCHOOL DISTRICT 4 3/4's.)

1939 MUNICIPAL SALES [1]

Amount	Issue	Date of Sale	Broker
2,500,000.00	Calif. Reg. Warrants	11-21-38	R. H. Moulton
1,000,048.87	" " "	10-21-38	" " "
1,887,200.41	" " "	12-15-38	" " "
2,000,000.00	" " "	12-20-38	" " "
1,970,048.97	" " "	12- 8-38	" " "
2,979,988.72	" " "	11- 8-38	" " "
2,750,000.00	" " "	11- 3-38	" " "
2,500,000.00	" " "	11-28-38	" " "
2,000,000.32	" " "	11-21-38	Kaiser, H. D. & Weeden
1,700,200.91	" " "	12- 4-38	R. H. Moulton
2,000,000.00	" " "	12-28-38	" " "
1,190,000.72	" " "	12-20-38	" " "
1,100,990.30	" " "	12-13-38	" " " & Banks
2,000,000.00	" " "	12- 1-38	" " "
2,000,000.00	" " "	12- 1-38	R. H. Moulton, Wm. Millard
1,000,000.40	" " "	11- 1-38	R. H. Moulton
1,250,000.00	" " "	11- 1-38	" " "
3,000,000.00	" " "	9-21-38	Wm. Calif. & Bofh.com ler
4,400,000.00	" " "	10-20-38	Bal. Bank, & Wm. Cal. Mag
2,000,000.00	" " "	9-20-38	Wm. Millard
3,917,700.30	" " "	1-30-39	Kaiser - H.D. & Weeden
4,000,000.00	" " "	1- 2-39	R. H. Moulton
4,000,000.00	" " "	2-2-39	" " "
3,940,100.50	" " "	2-21-39	Stone & Youngberg
3,770,000.00	" " "	2-16-39	Bank of America
2,100,000.00	" " "	3-30-39	R. H. Moulton
1,840,000.00	" " "	3- 1-39	" " "
1,000,000.00	" " "	3-28-39	Merch. Natl. Bk. Sacto
3,000,000.00	" " "	3- 3-39	Baco
3,132,970.05	" " "	3-29-39	"
3,000,970.00	" " "	3-14-39	"
2,577,489.20	" " "	3-14-39	"
3,870,107.38	" " "	4-21-39	Kaiser H. D. - Weeden
4,054,070.39	" " "	3- 1-39	Baco - American
3,722,370.40	" " "	4- 7-39	R. H. Moulton
4,000,000.00	" " "	4- 4-39	Baco
3,000,900.21	" " "	3-24-39	R. H. Moulton
3,134,942.30	" " "	3-21-39	Merchants Natl. Sacto.
4,000,000.00	" " "	3- 7-39	R. H. Moulton
3,705,318.17	" " "	3- 3-39	R. H. Moulton
3,000,000.00	" " "	2- 9-39	Baco
3,895,900.30	" " "	2-10-39	R. H. Moulton
4,000,000.00	" " "	1-20-39	Baco
3,501,422.04	" " "	1-19-39	R. H. Moulton
3,971,905.42	" " "	1-10-39	Baco

1. Additional pages omitted because copies unclear. Originals in Browne papers in The Bancroft Library.

(7)

$41,000,000 CITY and COUNTY of SAN FRANCISCO, SPRING VALLEY BONDS

Extract from The Bond Buyer - December 21, 1929

The San Francisco offering, most recent of the major-sized new issues, probably came as a surprise to many in the municipal business.

After almost a year's delay, that city has found a market for the $41,000,000 Spring Valley Water Co. purchase bonds, authorized as 4½'s by vote in May, 1928, and rendered unsalable by a par sale charter requirement. The upward surge of bond prices in recent weeks reached the point this week where it was possible for a banking group to present to the city a proposition involving a deposit arrangement which would permit the payment of par for the bonds.

The offer, advanced on behalf of the syndicate by A. J. Mount, president of the Bank of Italy, proved acceptable to the municipal authorities and was formally placed on file, together with a good faith deposit on December 16.

As a result of the conclusion of these negotiations, San Francisco will take possession of the Spring Valley property on March 2 next, paying the stockholders $20,000,000 and, with the balance of the proceeds of the new bond issue, retiring $21,000,000 of the private water company's bonds which are callable May 1 and November 1 on sixty days' notice.

The purchase of the Spring Valley property has been agitated for something like fifty years, and four bond elections were held before the bonds were finally voted in 1928. The State Railroad Commission fixed the purchase price ten years ago.

The new issue of $41,000,000 serial bonds maturing $1,000,000 a year beginning July 1, 1930, are offered to the public by a nationwide syndicate headed by the National City Co., the First National Bank of New York, the Bankers Co., the Continental Illinois Co., Inc., and Harris Forbes and Co., at par except for the 1930-31 and 1932 maturities which are priced to yield 4.25% to 4.40%. (Securities Division National Bankitaly Corp. was a member of the underwriting syndicate.)

STREAMLINER OF HIGHWAYS.—Henry J. Kaiser reveal[s] today he hopes to-[build] a luxury bus at his Richmond shipyards for Santa [Fe] highways. The fi[rst] unit coach was constructed at Permanente magnesium pl[ant] down the Peninsula,

Sacramento MUD Is a Bargain at $15,725,627

BY ALEX STRELOFF

Last week four big bond buyers started out for Sacramento to buy an issue of Sacramento MUD (Municipal Utility District, to you). Only the small town boy from San Francisco arrived. He bought a $10,500,000 issue for $15,725,627, while the big city slickers from New York and Chicago shied off. Today, financial people from Wall Street to Montgomery Street are wondering if the local boy did not run off with the prize after all.

The Western syndicate headed by the Bank of America which won the uncontested bidding bet more than 15 million dollars on the validity of Sacramento's $10,500,000 issue of tax-free bonds carrying the highcoupon interest of 5 per cent and therefore a premium of $5,225,627.

The potential bidders who dropped out apparently did so on the belief that there was a possibility that some taxpayer might question the legality of selling the bonds with a high coupon rate and at an abnormal premium in order to raise an amount of money in excess of the authorized par value of the loan.

BOLDNESS PAYS OFF

The Bank of America's boldness and faith in the legal opinion of Messrs. Orrick, Dahlquist, Neff, Brown & Herrington have paid off. The Sacramento Municipal Utility District received its money from the only source willing to make a deal. As a result, the Bank of America syndicate and its customers received more attractive terms than is customary in less unusual issues.

According to the July 13 Bond Buyer, "The bonds appear priced to offset any sales resistance which might arise out of the unusual features of the issue, and it would not be at all surprising if they soon were selling at a substantial advance over the issue price."

Discussing the legal aspects of the issue with The News, George Herrington, partner of Orrick, Dahlquist, Neff, Brown & Herrington, concluded: 'Any question that anybody could think of has been litigated for more than 10 years and every phase of the proceedings has been passed upon in favor of the district by both state and Federal courts right up to the United States Supreme Court, which refused to review." He stated that there was nothing new about any phase of the issue.

AUTHORIZED IN '34

The history of the district stretches back to 1921 when the California Legislature created the S. M. U. D. as a special type of municipal corporation.

Subsequent highlights of the 25-year-old story of Sacramento's development of a publicly owned utility system were as follows:

Nov. 6, 1934: The voters of the district authorized the incurring of a bonded debt in the sum of 13 million dollars at a rate of interest not to exceed 5 per cent "for the acquisition and construction of works for supplying the district with electricity." The properties were owned by the Pacific Gas & Electric Co. and litigation with the P. G. & E. followed over the validity of the district and the legality of the bonds. Both the state court in 1935 and the Federal court in 1937 decided favorably for the district. The United States Supreme Court refused to review.

May 21, 1938: The district petitioned the California Railroad Commission to fix the just compensation to be paid for the properties involved.

Nov. 24, 1943: The C. R. C. fixed compensation as of May 21, 1938, at $11,631,000, an adjustment to the date of delivery to be made later. The district then started condemnation proceedings.

Jan. 2, 1945: A judgment favorable to the district on the condemnation was entered and affirmed on Jan. 22, 1948.

April 9, 1948: Contracts were executed between the P. G. & E. and the district which included an agreement whereby the P. G. & E. bound itself to make no further attacks on the district's judgment, and to co-operate in the delivery of the property on Dec. 31, 1946. The company also agreed to take no action to prevent the sale of the district's bonds, or the expenditure of the proceeds thereof.

July 11, 1948: Bids were received at Sacramento from a syndicate headed by the Bank of America.

G. E. PROFIT AT 26C IN JUNE QUARTER

General Electric Co. today reported net income for the June quarter of $7,721,401, equal to 26c a share. A net loss of $18,701,580 was report-

90½c Silver Agreed Upon

Delivery Within Year Of Mining Required

A. Sn[ith] Pays [Dividend]

60c E[xtra]

The directors [of] & Sons Carpet [Co.] extra dividend [on] common stock [and] regular quarterly [dividend] payable Sept. 10 [to] record on Aug. 1[5]

The previous pa[yment] itial of 20 cents o[n]

Other dividends

Life Savers Corp.. (Paid 25c in each of ters.)

May Department Sto[res] Aug. 15. (Paid 50c Ju[ly] viously.)

Club Aluminum Pro[ducts] 2, July 29. (Paid 12[½]c

Owens-Illinois Glass July 30.

General Cigar Co., 25 Baruk Cigars, Inc., 50

COTTON H[ITS] 23-YEAR [HIGH]

NEW YORK, Ju[ly] tional strength in dominated a mixed in farm staple mark attempted to guess come of the price-c

Adding $5 a bale lint prices reached high with all deli May, 1947, crossing line. Since the presi the control bill, futu up nearly $27 a bale, rising from 31.19c to

Highlights on othe were as follows:

Grains: Weakened uary corn dropped 1[½] ¾c to 1¼c lower.

Cattle: At Chi[cago] choice fed steers w[ere] the top price wa[s] the all-time reco[rd] Department of [Agriculture] man said cattle [are] to better grade[s] ers in Chicago [than] their week's

EGGS: W[holesale] ket and [re]mbers [are] drive sh[ort] season[s] L[ower] on[es]

"STREAMLINER OF HIGHWAYS."—Henry J. Kaiser reveal[s] today he hopes to-[build] a luxury bus at his Richmond shipyards for Santa [Fe] highways. The fi[rst] unit coach was constructed at Permanente magnesium pl[ant] down the Peninsula,

the bus[es] and [its] one of the [improve]ments in [transp]ortation."

feet long, [and] com[fort]on or club

en Henry ret. "Just [as] beamed.

V. F. and been auto[mo]years, have on many r bus since rs "tailor[ed] magnesium sheets for vital parts

vs will put a month's proves suc[cess]ntract with h of 15 of s. Mr. Nay slashed in

have sur[plus] ond ship[building] fabrication ring out a aches there. Coast into[port] ses.

e intended ate run be[tween] Bakersfield. e obtained commission, engers from trailers also m the new

g event of st to public newspaper[men] ramen and Joseph W. , son, and

that it's a

river's seat corner at ead was a lley. There arked cars. ahead. But o a quick a flivver. e on back[ing] ally he let round the

"It's great. ? . . . You ver!"

Jose ways,

(9)

MEMORANDUM

THE GOLDEN GATE BRIDGE FINANCING

The construction of the Golden Gate Bridge spanning the Golden Gate between the Presidio of San Francisco and the Fort Baker military reservation in Marin County, was the direct result of the Bank of America's purchase of $6,000,000 par value bonds of the Golden Gate Bridge & Highway District during November 1932. Originally, the District had called for bids on a similar amount of bonds on July 8, 1931. One bid was received but rejected. Subsequently, on July 16, 1931, the Bank of America agreed to purchase $6,000,000 par value bonds. However, action was started in the Supreme Court of the State of California to compel the Secretary of the District to sign the bonds. Finally, a writ or mandate directing the Secretary to sign the bonds was ordered by the Court. Following this, taxpayer suits were brought in the United States District Court for the Southern Division of the Northern District of California, in which objections were raised to the formation of the District, the proceedings for the issuance of bonds, and the right of the District to levy and collect taxes. Decision in favor of the District was rendered on July 16, 1932.

The period from December 4, 1928, date of incorporation of the District, till November 4, 1932, the date of the first purchase of bonds of the District by the Bank of America, represented years of litigation seeking to delay or to stop the desire of the people to have a bridge constructed.

The years following, during construction of the bridge, saw many attempts to discredit the project. However, the Bank of America continued its participation in the financing of the District, through a syndicate of investment bankers. The Bank's faith in the project was rewarded when the bridge was finally opened to the public on May 27, 1937.

(10)

MEMORANDUM TO: Mr. R. A. Kent, Vice President

Subject: San Francisco Market Street Railway Purchase

Solution of San Francisco's muddled local transit problem was given a strong assist by the Bank of America in 1944, when it agreed to loan $2,000,000 to facilitate merger of the Municipal Railway and competing Market Street Railway, a Standard Gas & Electric Company subsidiary. Vigorous competitors since 1912, the two systems had been compelled to hold fares at such a low rate that equipment modernization and other improvements necessary to keep abreast of San Francisco's mounting traffic congestion had been impossible.

City officials came to A. P. Giannini in March, 1944, with the proposal that the Bank of America advance sufficient money to enable Market Street to sell out to the City for the suggested price of $7,500,000 and to pay off over $5,000,000 of equipment obligations and first mortgage bonds. Only $2,000,000 of the purchase price was to be paid by the City in cash, with the remainder of $5,500,000 payable only from a specified portion of future net revenues of the combined system. Clearly the Company had to raise another $2,000,000 somewhere in order to transfer its properties free and clear of debt. It could offer as security for a bank loan only a small amount of non-operative real estate plus its $5,500,000 contract with the City, payable only when earned.

Loaning money on the strength of street railway earnings is an extremely risky business, as investors have learned to their sorrow over many years. Few if any other banks would even look at such a deal, in view of Market Street Railway's checkered financial career. But the Bank of America would and did, in accordance with its established policy of aiding the development of California in every possible way. Sharpening their pencils, the Bank's analytical staff computed that with fares equalized at 7¢ (previously 5¢ on the Municipal Railway, 7¢ on Market Street Railway), there would be sufficient pledged net revenues from high war-time earnings to pay off the required $2,000,000 within one year or less. Voters approved the purchase on May 16, 1944, competing lines were taken over on September 29, 1944, and the entire balance of the $2,000,000 advance was paid off on June 29, 1945 - exactly nine months later.

The remaining $3,500,000 obligation to the Market Street Railway Company was paid down to $2,186,912 during the fiscal year 1945-46 by a continuation of war-swollen earnings. The Bank received an unexpected call from Supervisors McPhee and Christopher on March 7, 1946, requesting that we purchase the remainder of the revenue-secured obligation from the Market Street Railway Company and reduce the interest rate from 4% possibly to as low as 1%. The refinancing could not be accomplished because of the questionable future earning power of the system and the pressing problem of providing for essential capital outlays for equipment and rehabilitation. Our position proved well taken, for the voters were obliged to approve $1,950,000 in general obligation bonds in November, 1947, as the only feasible way to pay off the balance of the Market Street obligation; $20,000,000 of general obligation bonds for railway improvements were approved simultaneously.

Continuing our policy of cooperation with the City and County of San Francisco on its transit problem, a Bank of America group purchased $6,500,000 of general obligation Municipal Railway bonds on February 2, 1948 along with $15,500,000 for other purposes. We have bid on but missed later emissions of Municipal Railway issues by narrow margins, but other purchases of San Francisco bonds for postwar improvements by Bank of America accounts include $1,100,000 Juvenile Home and $1,350,000 Hetch Hetchy Water bonds on August 23, 1948 and $1,850,000 Hetch Hetchy Water bonds on March 14, 1949.

A. W. Bartlett

Alan K. Browne
Senior Vice President, Bank of America, NT & SA
Head of Bank Investment Securities Division
(Investments)
Announces his early retirement, June 15, 1971
(1929-1971)

□

Change of address:
307 Bridge Road
Hillsborough, California 94010
(415) 342-1206

Bank of America Officer Quits in Protest

By WALLACE TURNER
Special to The New York Times

SAN FRANCISCO, June 15 —Alan K. Browne, considered by many to be the dean of the tax-exempt bond business, has taken early retirement as a senior vice president of the Bank of America because of dissatisfaction with bank policy changes.

Since the end of World War II, Mr. Browne has had a part in raising about $10-billion through the sale of municipal bonds.

In late May Mr. Browne told intimates of his plan to retire and of his reasons. He gave the bank notice of his plans about June 1, and as of today he has left his office in the executive suite on the 40th floor of the Bank of America Tower in the San Francisco financial district.

He now will go on about half pay, a move he could have delayed until December, 1974, had he not decided to quit in protest.

A. W. Clausen, president of the Bank of America, was notified through a member of the bank public relations staff that Mr. Browne, in a recent interview, had criticized the bank.

Mr. Clausen, in a telephone interview, said he disagreed with Mr. Browne's judgments on which the criticisms of the bank were based. But Mr. Clausen added: "Alan Browne has been a fantastically strong contributor to the bank and to its position and to the establishment of the momentum and the good things about the bank.

"He has been a loved and valued senior officer of the bank and we have been proud to have him on our team."

Mr. Browne's criticisms in his interview have not been published until now, upon his retirement. His criticisms fell into two categories. First, he said he believes that the bank's policies have "become much more oriented toward profitability" at the expense of its public service role. Second, he said he has found for at least two years that his own position has been diminished.

"In the business community you [the Bank of America] don't have the leadership in this area any more," he said.

"Where we had identified the bank as a leader in the West and a voice in the East, it looks like we're beginning to follow the East," he said.

Mr. Browne recalled that the bank had tried in the past to keep down borrowing costs for public agencies in the West.

"But now as you move toward this great emphasis on profitability then these factors are no longer that important," he said. In the language of one who had made a career of convening financing syndicates to buy state and local government bond issues, Mr. Browne said of Bank of America policies in that field:

"It's no longer as important to fight for managerial positions. It's no longer important to fight for a top role in other forms of finance."

In his early career, Mr. Browne worked in a bank that still was dominated by the legendary A. P. Giannini, from whose beginnings the $29.7-billion institution has been constructed.

"It no longer is a philosophy which I think was the Giannini approach," Mr. Browne said of the bank's present policies, "because they thought 'little fellow' and that's been a sort of rallying cry for some, and I guess some of the others don't care too much for it.

"By exercising this philosophy in California, we've cut the borrowing costs of California's innumerable public bodies which means lower tax rates," he said.

Now, Mr. Browne said, "there is a new cult in the bond field —take enormous risks, whip the bonds around, move on to the next deal."

"I have not accepted that because I have felt the guts of the investment banking business is to maintain a distribution system, and the distribution cannot be done strictly from New York," he explained.

"The philosophy that you go to New York to get your bonds means that you sell them for the New York underwriters," Mr. Browne said.

Regional Dealers

"The regional dealers and banks are terribly important because many issues originate in the regions, and they have to sell to maintain the viable market here," he said. "So this other approach has a tendency to break down the mechanism that has been an unusual and unique way of raising capital funds."

Mr. Clausen, president of the bank, said he would "let the record stand for itself" in response to Mr. Browne's charge that the bank was overly motivated by profit seeking. Mr. Clausen said, "No words of mine are going to be as dramatic as our performance."

Mr. Browne criticized handling of the April 1 issue of $100-million Bank of America capital notes, which were offered through the nearly 1,000 branches of the bank. The issue was withdrawn after about six weeks with about a quarter of it unsold, he said.

"I'm sure that if anyone wanted to find out how the bank sold some $75-million in notes to its unsophisticated customers, it would not be a very interesting story," he said.

The bank's president, Mr. Clausen, said: "I have to disagree with Alan. It was part of our philosophy in offering these notes to do so on a retail basis, not wholesale, but in essence to reward some of our customers so that they could come into a little longer term investment" with the bank.

"If Alan is saying that we twisted the arms of little old ladies and widows, if that's what he means by 'unsophisticated customers' and by not pointing out the differences, then Alan is misinformed and misguided," Mr. Clausen said.

Mr. Browne said the bank needed more money in its capital structure to match its rise in deposits. He said the choices were to sell long-term capital debentures, or convertible debentures, or short-term notes — which must, however, be of more than seven years' maturity so they would be considered capital investments.

The April 1 note issue was set to mature at 7½ years, he said, and about March 25 an interest rate of 6¼ per cent was picked. Then it was decided to sell through the bank's branches, instead of going through a financial syndicate, as Mr. Browne said he would have urged.

Had the bank gone through a syndicate, he said, the notes would have been bought by people who knew what they were doing, and they would all have been sold.

But, by the time the issue was marketed, the prices of competing securities had fallen, particularly Treasury notes of equivalent maturity, so that the Bank of America notes were overpriced, Mr. Browne said, and would not attract sophisticated buyers.

"Unfortunately, because of changes in the market and investor resistance," Mr. Browne said, "the bank internal organization had to put on a heck of a big campaign to pressure the branches to really beat the bushes to bring people in.

Conditions Weighed

"I have no way of knowing," he said, "but I would guess that a great many people who bought notes were just looking at the differential between available interest rates on deposits, even though this was considered to be a marketable security, even though the details of how it was going to be handled in the marketplace were not clear."

He was asked to state his criticism of this sales method more clearly. He replied: "In other words, if you're giving your best investment advice to a customer, if they come in, you would normally expect that they would be given the opportunity to see the galaxy of availables that were of comparable creditworthiness and for the same maturity range. But, no, this is being done the other way. Now this is really, I'm sure, because the branch managers didn't understand."

Mr. Browne also said that he was taking early retirement because he was dissatisfied with his personal role under Mr. Clausen's regime as president of the bank.

"Let's put it this way," Mr. Browne said. "We have a new president. He is firmly in control and, as of the first of the year, I was put in the position of becoming nothing but a figurehead—let's say a senior citizen [Mr. Browne is 62 years old]. Duties and responsibilities have been removed from me."

He was born in Alameda, an island city on the east side of San Francisco Bay. After graduating from the University of California at Berkeley, he went to work for the Giannini-controlled Bank of Italy in November, 1929.

At the end of his remarks in the interview, which occurred on May 26, Mr. Browne said of the Bank of America: "It's a great institution, and has done so much for the economy of California, and it has this global impact. It has a great many fine people and has excellent traditions.

"I'm just one of the old-timers who is concerned and bothered by what I see. Even though I may seem to be biased, I can't help but be biased, because I have a personal involvement.

"But what happens in the future? What will be the impact? Will these things I have mentioned continue to alter and change? Or is this a figment of my imagination—that we really haven't changed, that it's just the way I feel about it?

"But I do feel that the bank is undergoing fundamental change as young, new leadership takes hold. Whether that's good or bad is beside the point. Any institution has to have some traditional approaches."

He looked out the window at San Francisco's rolling hills and busy streets.

"I think my action will shake them up a little bit," he said.

New York Times

June 16, 1971

Bank of America Issue Withdrawn as a Failure

The Bank of America finally admitted yesterday that its $100-million issue of 6¼ per cent capital notes—which were first offered through its nearly 1,000 branches in California in early April — has been a flop. The bank said that the issue would be withdrawn on Friday, with $30-million of the bonds still unsold.

Clarence H. Baumhefner, vice chairman of the bank, indicated that interest rates had risen in the open market to "a point that has led us to discontinue the offering." But he added that the experience had convinced the bank that offerings directly to the public through the branches were "feasible."

New York Times

May 19, 1971

Top Bank of America Officer Quits in Huff

By Jack Miller
Business Editor

Alan K. Browne, who surprised his most intimate associates when he quit Tuesday with a torrent of criticism as head of Bank of America's investment securities division, today is on a one week vacation strictly incommunicado.

"He'll return Monday. I'm not to tell anyone where he and his wife are. They want absolute rest," a close family friend said in explaining she "was only taking phone calls" in Browne's Hillsborough home.

But there's little doubt the 62 year old senior vice president — whose early retirement will cost him a part of his pension — carefully planned the finale to his 40 year career with the world's largest bank.

Weeks ago, Browne told the New York Times in an interview arranged to be released immediately after his last day on the 40th floor executive suite, that he:

- Was dissatisfied with his role at the bank since A. W. Clausen became president 18 months ago.
- Felt his job had been reduced "to nothing but a figurehead" — a "senior citizen."
- No longer had the support that made it possible for him to take a leadership role in civic affairs.

Browne, considered one of the nation's foremost authorities on municipal bond financing, told the New York Times he felt Bank of America no longer has the leadership in the business community that it once had.

According to a bank spokesman, Browne confirmed the facts in the interview with a followup letter. The Times story quoted Browne as saying:

"Where we had identified the bank as a leader in the West and a voice in the East it looks like we're beginning to follow the East."

Browne also was quoted as complaining that the bank had changed its policy of trying to keep down borrowing costs for public agencies.

"But now as you move toward (a) greater emphasis on profitability . . . these factors are no longer that important."

The former Bank of America senior vice president also was quoted as criticizing "a new cult in the bond field" that takes "enormous risks, whips the bonds around, moves on to the next deal."

Clausen was in Washington and unavailable for comment for The Examiner. According to a bank spokesman, Clausen consented to comment for the New York Times only after he was persuaded it would be more appropriate than silence.

"Clausen at first didn't feel it right to answer an employe's charges through the press without seeing the employe first," the bank spokesman told The Examiner.

But Browne had already departed and thus was not available to Clausen, the spokesman said.

Clarence J. Baumhefner, vice chairman of the board and one of Clausen's right hand men, pretty much reiterated laudatory remarks about Browne made to The Times.

Browne's quitting "certainly was a big surprise. No one I know, including Tom Clausen or anyone else in a senior position" knew it was coming, Baumhefner told The Examiner.

"We valued him (Browne) very highly — he was a very able person. He contributed greatly to the bank through the years."

Asked about Browne's criticism of the $100 million in capital notes sold through the bank's vast branch network, Baumhefner said:

"Browne was a member of the policy committee that decided to sell the notes. He made no objections" to that decision, Baumhefner recalled.

The New York Times quoted Clausen's answer on the capital notes experiment. It said in part:

"If Alan is saying that we twisted the arms of little old ladies and widows, if that's what he means by 'unsophisticated customers' and by not pointing out the differences, then Alan is misinformed and misguided."

Browne is quoted as saying he felt the bank should have sold the notes through a financial syndicate so the people buying them would have known what they were doing.

Baumhefner denied the bank has made any shift in basic policies that go back to the days of A. P. Giannini, the founder that one of its primary missions is serving the public while making a profit as well.

EXAMINER

Thursday, June 17, 1971—Page 58

UNIVERSITY OF CALIFORNIA
CLASS OF 1931

20 April 1987

Mrs. Willa K. Baum, Division Head
Regional Oral History Office,
The Bancroft Library
University of California,
Berkeley, Ca., 94720

Dear Willa:

Enclosed are some 185 letters I received on the occasion of my early retirement, June 15, 1971. This is a small portion of the correspondence . I had planned to toss them out but Betty saved them. On our several moves there wasn't really enough room to store all of my momentos so some had to go. It took about a year to respond to all of the letters.

This should give you a "flavor" of my business and professional contacts at the time of my retirement. Reviewing the names, manyhave passed from the scene, most have retired and some of the organizations have merged, gone out of business or changed their identity.

The notes dealing with the B of A mention a number of personalities. My comments probably reflect frustrations and the in-house politics at that time.

Best Regards!

Alan K. Browne

BERT A. BETTS & Associates

Independent Financial Consultants to
GOVERNMENTS ON BOND MARKETING AND FINANCIAL PLANNING · PRIVATE ENTERPRISE

originating office:
Sacramento

June 16, 1971

Mr. Alan K. Browne
Senior Vice-President
Bank of America, NT & SA
307 Bridge Road
Hillsborough, Calif. 94010

Dear Alan:

The announcement of your retirement caught me unawares; the day, in fact, has passed, and by the time you have this note, a truly outstanding career will have become a memory.

That is far from the truth, of course. Your pre-eminence in the field of municipal finance has set standards which the rest will be striving to achieve well into the future. Your knowledge and your foresight have been beacon lights to the industry. No, for thousands involved in municipal finance your career offers so much more than memory; it offers guidelines and goals alike, and these are the tribute to a fine and productive career.

I am personally grateful for our relationship through the years. I look back at my eight years as Treasurer with a curious mixture of pleasure and frustration. Pleasure for the opportunity to create relationships with the knowledgeable, purposeful men of municipal finance, pleasure at the progress I could achieve; frustration at the inability to achieve it in every case, or as rapidly as seemed desirable. I realize that you and I occasionally differed on issues; perhaps that was temporarily frustrating for both of us. I think now, however, that the process was both stimulating and educational, and I am happy that I had the chance to expand my perspective through the judgments you evidenced.

Congratulations upon your retirement, and I hope that your activities henceforth will be as productive and as successful, in their own way, as your life's vocation certainly was.

Cordially,

Bert

BERT A. BETTS, C.P.A.

Head Office 629 J STREET, FOURTH FLOOR · BANK OF SACRAMENTO BUILDING · SACRAMENTO, CALIFORNIA 95814 · TELEPHONE (916) 444-0404

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

June 16, 1971

Dear Alan:

I was shocked by events but pleased with your statements that made headlines this morning on the financial pages of the New York Times.

To me it is inconceivable that management would thrust aside 42 fantastic years, ignoring certainly the best bond mind and, very probably, the best policy mind in banking.

In looking through Who's Who for your home address, I noted several minor similarities. I'm four months older, neither of us finished college but came out to greet the world in that glorious year of 1929, and both departed from their jobs for much the same reasons. I left FINANCE magazine in February 1970 over matters of business principles and came here to set up a new division.

Thinking back to my own resignation, I recall how I was eased aside and my position as publisher and editor diminished. The frustrations are like punching through a room full of feathers.

My suggestion is that you stand off for a few weeks, not too many, look at the trees, play some golf or just work in your garden. Then step back to the plate. It's too early to head for a rocking chair and besides if you came up through 1929 you'll never stop itching for new challenges.

I'm enclosing a piece from this morning's Wall Street Journal which you may not have seen. Why don't we join forces in a venture like this and become modern millionaires? You've got the knowledge and guts, I've just got the guts and a few contacts.

At any rate, the best of all possible worlds for the future.

Sincerely,

Gardner Bone Frost

SMITH, BARNEY & CO.
INCORPORATED

THEODORE L. HAFF, JR.
SENIOR VICE PRESIDENT & DIRECTOR

1345 AVENUE OF THE AMERICAS
NEW YORK, N.Y. 10019

June 17, 1971.

Mr. Alan K. Browne
307 Bridge Road
Hillsborough
California 94010

Dear Alan:

I read with disappointment the New York Times story (copy enclosed) of your decision to retire from the Bank of America. Your friends, I am sure, regret as I do the circumstances which compelled you to this decision. It seems hardly a fitting climax to a vigorous career that involved such great contributions to the Bank, to California itself, and to the stature of the financial community in the West.

Not infrequently during my San Francisco years I found myself in the midst of the New York -- San Francisco crossfire, but I must say, despite the occasional discomfort, I enjoyed and benefited from my contacts with you and the Bank of America. Your departure from the Bank of America marks the end of an era for Montgomery Street in which I am pleased and proud to have had a small part.

It is impossible to believe that your energies will be confined to your garden for very long, and I simply want to add my good wishes for success in whatever you decide to undertake.

With warm regards,

Sincerely,

Ted

TLHJr/ab
Encl: NY Times clipping

Theodore L. Haff, Jr.

HEWLETT-PACKARD COMPANY
1501 PAGE MILL ROAD
PALO ALTO, CALIFORNIA 94304

JOHN C. BECKETT
GOVERNMENT RELATIONS MANAGER

June 18, 1971

Mr. Alan K. Browne
307 Bridge Road
Hillsborough, California 94010

Dear Alan:

I read with considerable interest the news of your early retirement from Bank of America. Knowing your strong interest in community affairs I was particularly impressed with the reasons stated in the press for your early retirement.

As you probably know, you have always been one of my favorites ever since the time we worked together on the old BART Commission. The high esteem in which you are held for your leadership in the field of municipal bonds and your deep concern for local government financial problems are not equaled by anyone in the State of California and probably the nation.

No doubt your reasons for early retirement are complex and mixed, but I would like to add my admiration for your strong personal convictions. Best wishes on your retirement and I hope you will have some pleasant relaxation and more fun in your activities.

Best regards,

JCB:ac

William W. Scranton
Scranton, Pennsylvania 18503

June 18, 1971

Mr. Alan K. Browne
307 Bridge Road
Hillsborough, California 94010

Dear Alan:

Having read with deep interest the article in the New York Times on June 16, for which incidentally I highly congratulate you as it is a most forthright statement in your tradition of complete and compelling honesty, I was not surprised this morning to receive from Bill Cassella, a copy of your letter to him. I hasten to write you suggesting that this does not close out your duties with the National Municipal League in the least.

We, and I personally, prize Alan Browne not just because he was an important officer of the Bank of America but for what he is personally. Yes, very likely we will have to get additional help in the fund raising effort of the League, but after all we have asked you to do too much on this score in the past. What we now want is your great good judgement and your leadership qualities and we shall continue to want them for many years to come.

Please hold off taking any action with regard to the League until Bill and/or I have a chance to talk with you personally. Quite frankly I have a number of plans about the League and they could involve you; I most certainly hope you will let them do so.

With best personal regards always and many thanks for all the wonderful things you do for the League.

Most sincerely,

Bill

William W. Scranton

THE PORT OF NEW YORK AUTHORITY
111 Eighth Avenue - at 15th Street, New York, N.Y. 10011

Law Department
Sidney Goldstein, General Counsel
Patrick J. Falvey, Assistant General Counsel

FINANCE DIVISION

Chief
Michael S. Zarin 620-7330

Deputy Chief
John F. Duffy 620-7823

Attorneys
Jeffrey S. Green 620-7474
Robert L. Garland 620-7351
Richard F. Callanan 620-7232

July 6, 1971

Mr. Alan K. Browne
c/o Bank of America NT & SA
Bank of America Center
San Francisco, California 94120

Dear Mr. Browne:

I have looked upon your work over the years with a great deal of admiration and I could not let the occasion of your retirement pass without sending you this note to wish you well.

Sincerely,

Michael S. Zarin

STONE & YOUNGBERG
MUNICIPAL FINANCING CONSULTANTS, INC.

July 26, 1971

Mr. Alan K. Browne
307 Bridge Road
Hillsborough, California

Dear Alan:

The announcement of your early retirement in the New York Times came as a surprise to me, as to many others, and caused me to remember the many generous and considerate things you have done for me over the past eighteen years.

May I mention a few that I am sure you have long forgotten?

My first job in the municipal bond business was at the bank in 1953, because you were willing to give me a chance and, during my employment, you were never too busy to invite me for a drink or take a personal interest in my work. When I was offered a fellowship for a graduate degree, and left the bank, your interest in my studies and letters to me continued even though I am sure you had many more important things to do.

Alan, over the years your confidence and support has continued and has been cherished by me.

I guess I am just writing this note to let you know how one of your many, many friends feels about you.

With warmest personal regards.

Sincerely,

James S. Saffran

JSS:bp

The New York Times
TIMES SQUARE NEW YORK N Y 10036

San Francisco Bureau
925 Fox Plaza Building
San Francisco, Calif. 94102
861-8662

August 12, 1971

Dear Alan:

It was good to hear from you. I've thought often of you since our conversation in late May, and wondered how it all turned out for you. Also, I had hoped you were satisfied with the story that appeared. It is most difficult, as you know, to reflect to the satisfaction of the central figure an account of something so complex as the matter involved in your retirement.

The bank behaved somewhat as I expected. It's all a pattern of momentum and control of the modern, widely-held corporate enterprise. Those in control operate first to maintain that control. But they were shaken up, as you expected. Whether it makes changes in the way they operate is something else, however.

I hope things continue well for you, and that when there is some reason for you to come into San Francisco you will drop by the office. My life when I'm here is either terribly busy or virtually free.

I'm sorry that I seem to have recorded one of Reagan's press conferen over the tape of our interview. Sorry.

Best Regards

Wallace Turner

May 25, 1972

Dear Wally

I am writing this on the eve of the first anniversary of our unforgettable interview, May 26, 1971. It has been a fascinating year filled with situations I never dreamed would develop. To say the least it has been an enjoyable "experience" and I do not regret my decision to retire early from the Bank of America.

While I do a little "consulting" to use the term broadly, I really have not settled in any particular groove. The past few months, as I indicated to you, have been occupied trying to sort out a number of ideas and suggestions which might lead to my returning to the business world, though there have been some public roles suggested. While nothing has been concrete, rumors of various sorts keep pervading the financial world. I would guess your financial editors would know more about this than I do.

The anniversary of my planned retirement, June 15, 1971, will find me in New York exposing myself to some of the areas that have shown interest in my future activity. It will be interesting to see if anything develops.

Your well publicized interview, appearing in the June 16, 1971 edition of the Times, really changed my life and I suspect that if I had quietly departed the scene I would have been "damned with faint praise". As it is I think I have the respect of a great many for the action I took, though I am sure a few in "high places" in the bank have other feelings.

Many thanks for your contribution to my well being and peace of mind.

With all good wishes and warm regards.

Sincerely,

Mr. Wallace Turner
The New York Times
Box Plaza
San Francisco, Ca. 94102

The New York Times
TIMES SQUARE NEW YORK N Y 10036

San Francisco Bureau
925 Fox Plaza Building
San Francisco, Calif. 94102
861-8662

June 8, 1972

Dear Alan:

That was a wonderful letter that you wrote to me on May 25 and it adds inches to my already high esteem for you.

I knew that day that we talked that you had thought it all out carefully and had decided that as a matter of self respect, you had to break off a career that had taken most of your working life. I agreed with ~~with~~ what you did, and I'm delighted to find out, a year later, that you still feel the same way you did then.

I think that too many people who have worked in public jobs (which your position in the bank was) leave too quietly. Damn it! The public that supports them is entitled to know if they leave for policy reasons.

I hope it all turns well. Let me know.

Best Regards

Wallace Turner

THE CHASE MANHATTAN BANK
ational Association

Chase Manhattan Plaza, New York, New York 10015

AVID ROCKEFELLER *Chairman of the Board*

October 18, 1974

Mr. Alan K. Browne
2101 Davis Drive
Burlingame, California 94010

Dear Alan:

Many thanks for your exceedingly thoughtful letter about the difficulties in our bond trading area.

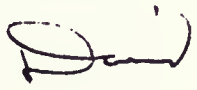
Your analysis of the types of problems that can arise and suggestions for their prevention are excellent and most helpful. Indeed, immediately on discovering the over-valuation, we instituted a number of the controls you mention, including detailed monthly reports on our position to top management and monthly evaluations and audits by independent parties.

This was, needless to say, a very distressing experience for us. It has, however, also certainly underscored valuable points about the critical importance of the balanced positioning of our assets and of the constant employment of the most rigorous possible controls.

I greatly appreciate your writing, and I can only wish that we could have had the benefit of your wise observations several months ago!

With kind regards,

Sincerely,



Letters to the Editor

Our Underpaid Politicians

To the Editor:

The profession of politics is at best inadequately rewarded despite adjustments in recent years. Government is "big business," and yet the compensation chief executives of our major corporations receive shows that we are not rewarding our public officials adequately.

There is no adequate mechanism for review and cost-of-living adjustments, and public officials are subject to widespread criticism if they initiate or sponsor legislation which will increase their compensation.

Public officials are expected to disclose all of their finances and to divest themselves of any semblance of conflicts of interest. It is difficult for them to build an estate, raise a family and maintain a standard of living commensurate with their official role if their duties require all of their time and attention.

This is what election reform is all about: not only to abort political campaign abuses, bring their costs into an area of reasonableness and equate the burden of campaign funding, but also to attract worthy candidates.

There are few candidates for high public office who can afford to pay for a campaign out of their own pockets. If elected or appointed, their personal expenditures above their allowances are frequently substantial. Add this to whatever reduction of income they may have accepted in order to hold public office.

Aside from the motivation and job satisfaction that appeal to some, how can the best-qualified candidates be encouraged to run for office or accept an appointment to office if they are required to sacrifice income or lower their standard of living to serve the public? Can we look only to the few whose private sources of income insulate them from the financial cares of office? If so, our democracy would be a sterile thing and the great American dream of every newborn babe being a potential President would be dissipated.

The Presidency is an American institution. We should insure that whoever occupies the White House is amply compensated and free from any financial worries. Considering that the President heads the most powerful government in the modern world, we should not let ourselves be petty. The President, of course, should set an example on the judicious expenditures of public funds in support of himself and the executive office, particularly in times of national emergencies.

For full-time officeholders, governmental income should be exempt from income taxation, and benefits and perquisites should be fully competitive with those of private industry and commensurate with their public role. In the case of the President this would mean an extension of his present tax-free expense fund to include his salary. In this way there would be greater incentive for qualified individuals to seek or accept public office.

The rules governing conflicts of interest should not be relaxed. However, it would be appropriate to re-examine the regulations that require officeholders to establish blind trusts or to dispose of assets so as to insure equity, not only to protect the public interest but to ease or minimize the tax consequences that can create hardships for some worthy potential governmental officeholders.

ALAN K. BROWNE

Rye, N. Y., Jan. 24, 1974

New York Times

Sunday, February 3, 1974

April 27, 1975

Mr. Arthur Hailey
P.O. Box N-7776
Lyford Cay
Nassau, Bahamas

Dear Arthur:

Thank you for sending us a copy of The Money Changers. Betty and I thoroughly enjoyed reading the novel, though Betty finished it before I did. I would have responded sooner but I have been commuting to New York and Puerto Rico on one of my "consulting" assignments which required a considerable amount of concentration.

I have read a number of reviews of The Money Changers and have listened to a number of my friends in the banking community comment on the banking "picture" as you detailed it. Most everyone seemed to like the book and felt it was timely. Some had read "The Bankers" by Martin Mayer and were wondering how the public would react to the banking industry. Overall I think the reaction will be constructive. As I told you - too many bankers react rather than anticipate.

Since my departure from the Bank of America I have learned of many changes which would indicate that the B of A is more conscious of the ideology of its founder and while the "bottom line" is still high on the list of priorities, there is some recognition of alternative courses of achieving profitability.

Having "been there" I think you have painted a true picture of the in-house rivalry between senior bankers, the motivation behind policy decisions, particularly loans, and the razor edge dividing excessive credit extension by use of credit cards and good old fashioned savings.

One of my goals was to alert directors towards recognition of their full liability. To ask questions, obtain reports and to seek out facts as they pertained to my area of responsibility. I am sure some appreciated the trust of my efforts, but when certain other senior officers

were subject to possible criticism they closed ranks so I think The Money Changers does an effective job in bringing out the conflicts of interest, individual avarice and lack of professional capacity for directorships. Banks are successful despite their management as I once told you.

There is so much ground to cover in the field of banking that I wonder how you were able to crowd as much as you did into one volume. As you are aware, bank holding companies are almost a separate story as is global banking and the multi-national corporations. Another area is the intense competition in branching, dealing with Federal, State and local government, either legislatively or to obtain deposits and fiduciary appointments, the keen rivalry between the securities industry and the banking industry to name a few subjects. Also banks usually have more than one Super Nat Co. type loan as a problem area.

While bankers do not like to talk about conflicts that might bend trust investment policy decisions, they exist. I can remember more than one occasion when it was either a director or a major corporate customer who sought to impose fiduciary decisions contrary to sound investment management and regulations governing trusts.

Probably the one area which bothered me was the prison experience of Miles Eastin. I recognize such things happen in a State prison but not a Federal penetentiary and that the sordid events did lead to the solving of several major crimes - yet it did not quite seem part of the FMA story, but that is only a personal reaction.

Remembering that in our original discussions you were thinking of a novel dealing with the securities industry, but put this aside to develop a banking theme, should you ever re-consider and want to do a novel on the securities industry, I am enclosing a brief outline of what I have entitled "Drexel" - a story of the securities industry, purely for identity purposes.

As I look over my two years on Wall Street, following a year sabbatical from the B of A, I think I experienced about everything that was either good or bad because of the legacy of Drexel. It was really an eyeopener and an almost unbelievable story. You may find the germ of a novel of some mythical firm in some far off money center with as many fascinating characters and potential escapades as in The Money Changers. As in banking, there is no limit to change in the securities industry so that it can always be brought up to date after the initial start.

With all good wishes for your continued success with THE MONEYCHANGERS!

Betty joins me in wishing you our warmest regards.

Sincerely,

AHB:eh

P.S. Your St. Helena neighbors, Liz and Ted Griffinger are old friends. Ted was one of my young associates at the B of A and was scheduled to be my replacement after I retired. However, he saw the handwriting on the wall and left before I did for much the same reasons.

AHB

June 6, 1975

The Honorable Joseph L. Alioto, Mayor
City and County of San Francisco
City Hall
San Francisco, Ca. 94102

Dear Joe:

Your statement as President of the U.S. Conference of Mayors, warning of the coming effect of New York City's fiscal crisis was very timely. I cannot understand the insensitivity of the Federal establishment to not heed the call for help.

For some time I advocated the establishment of an RFC type Federal Corporation to be available to meet the emergency needs of State and local government as well as the private sector. Not as a bailout or as a crop for weak and inefficient management, but as a sound approach to dealing with the troubled economy in various parts of our country. In other words - on a proper cost benefit basis.

Probably I am one of the few former bankers and investment bankers who dealt with Jesse Jones during the 1930's and knew how the RFC worked. It helped immeasurably in California to reduce the cost of borrowing and to assist in re-structuring debt for the California Toll Bridge Authority, Metropolitan Water District of Southern California and numerous irrigation districts to mention a few. The Public Works Administration provided 45% money to assist local government in carrying out needed public works programs. In addition the RFC established standards of uniformity for legal documents and forms of bonds. In time the liquidity of the tax-exempt assets of the RFC showed a profit.

I was hopeful when Senator Mike Mansfield and the Democratic party advocated an RFC and numerous business leaders supported the concept. Unfortunately those who oppose an RFC were not around to evaluate its usefulness in specified areas. Possibly now that Mayor Beame and yourself have sounded the warning - something will happen.

An interesting aspect of the Treasury's position is that their staff is opposed to tax-exemption of the interest on State and municipal bonds and advocate a Federal subsidy through the taxable bond concept. In the past they also pushed for a Federal Bond Bank, to purchase tax-exempt securities to be financed through the sale of a taxable Federal Agency type security. They have voiced concern over the high

tax-exempt rates that some State and local borrowers must pay, saying what good is tax-exemption when the tax-exempt rate is so close to taxable rates? If all of this is true, why not take the [illegible] troubled borrowers out of the market by providing funds at a reasonable rate through acquisition of the tax-exempt bonds? As the Treasury does not need tax-exemption, it should be a mainstay and the purchases of the taxable Federal Agency type securities will be subject to Federal taxes. I guess it is too simple or no one wants to do their homework.

As you are aware, even San Francisco is not shielded from the impact of mounting financial problems. The fact that San Francisco has been conservative in incurring general obligation debt, has an outstanding record of fiscal conservation and its G.O. bonds rated "AAA" by municipal credit rating agencies does not offset potential rising budget requests, higher taxes, both property and business related taxes. The quality of public services and the necessity of maintaining facilities so that they do not deteriorate to the point of becoming capital improvements requires the most effective use of San Francisco's economic resources in order to survive as the business, cultural and financial center of Northern California.

Whether or not there is recourse to San Francisco's general fund revenues, San Francisco's Unified School District, Port Authority, Municipal Railway, Redevelopment Agency, Housing Authority, BART, AC Transit, International Airport Pollution Control District and the numerous non-profit corporations created to provide parking facilities, recreational facilities, produce marketing facilities, airport facilities and municipal railway equipment are all financially and interdependent in that they improve the quality of life for San Franciscans and for suburbanites who may live outside of the City and County of San Francisco, but work in the "City" or who live in the City and commute to the suburbs.

When San Francisco's Port has development problems, when it's International Airport is blocked from expanding its economic service role, when recreational facilities lose attendance to other competing installations, when planned re-development projects are tied up, when transportation services do not achieve objectives, the community suffers. San Francisco, resting on the tip of a peninsula with a land bridge to the South and connected with the North and East Bay by bridge, tunnel and ferry, is not immune to what goes on around its perimeter. It has a vital stake in preventing air, water, land and sound pollution - and must be a party to area-wide planning. Its investment in its airport, port and water supply system is a major contribution to Bay Area growth and development.

There are numerous committees, commissions, boards and authorities, created by legislative acts with varying powers and methods of selection dealing with local and regional problems. Some are study groups with advisory powers, others are administrative with substantial authority, so it would seem that there are enough people "watching the store" so that no problem would arise that could not be

resolved. However, this is not the case. Each jurisdiction is responsible to its creative authority - while many seek to assume broader roles. They jealously guard their own domain. Thus a lot of well-meaning individuals "do their thing" as they see it but frequently miss the "big picture".

What I would like to suggest is not necessarily another study group - perhaps a name change would be in order, but to activate or re-activate a group that will take an impartial, no conflict overview of San Francisco's financial well-being, its immediate outlook and a long range plan to accomodate its growth pattern.

Civic organizations, tax-paying groups, cultural and educational associations and involved citizens do an outstanding job of studying some of San Francisco's problems - but seldom agree as to detail and solutions. There is no real analysis of the proposals and it is difficult to evaluate cost benefits.

As you are aware, New York State and New York City have created numerous commissions, committees and organizations to monitor their fiscal and debt problems. Some are new creations of the State and City. Others are citizen-oriented and have been around for a long time. To name a few - Citizens Budget Commission, City-State Fiscal Commission, Advisory Technical Debt Management Committee, Project Financing Corporation and Stabilization Reserve Corporation.

In San Francisco I believe there is a Staff Committee reviewing capital budget items that require bond financing and then there is the Mayor's Bond Screening Committee, which I have been a member of since Jerd Sullivan's Chairmanship. I doubt if either Committee looks at the entire financing needs of the City. Certainly the Bond Screening Committee does not. So there is a need to advise on the City's various forms of credit to various public enterprises which require tax and revenue support and the inter-dependence of San Francisco economy with that of Northern California.

It is an interesting situation and I am sure that you will receive wide support in taking the lead in doing something that will benefit all San Franciscans.

Kind regards.

Sincerely,

AKB:eh

November 6, 1979

Mr. Paul A. Volcker, Chairman
Board of Governors
of the Federal Reserve System
Washington, D. C. 20551

Dear Paul:

It has been an interesting experience sitting on the sidelines and observing your battle to control inflation - knowing that many believe that it is a no-win situation. I am not one of the doomsayers as I believe your approach is the only way to go.

I must admit that I was concerned that the Fed's "love affair" with the federal funds rate was to be continued. To many it seemed obvious that the money supply was the real culprit - without a handle on this - inflation was bound to continue unchecked.

What used to bother me in my days at the Bank of America was the tunnel philosophy of those who relied on the Fed doing its thing in a manner which enabled the bank policymakers to count on orthodoxy - in effect, insure their decisionmaking. Banking and investment banking are risk professions. Decisions are based on calculated risks, but there has been a tendency for some to overlook this fundamental premise.

It was obvious the credit markets were caught off guard when your announcement was made following the October 6th meeting of the Open Market Committee. Considering bank liquidity needs, U. S. Treasury debt management plans, corporate and municipal finance in process or to be consummated and street trading positions - many were caught unprepared. I am sure that subsequent management reviews of how their decisionmaking and market makers performed will disclose that many are nothing more than crap shooters - playing with other people's money.

This I think is a serious matter as it does indicate that banks and non-bank dealers can expose their directors, stockholders and customers to unnecessary risks. Risks in many cases which are not justified either because the potential profitability is not as significant as the potential loss and/or because the activity is seldom their principal reason for being in business.

The U.S. Treasury has had to pay the premium for higher interest costs as it struggles with its debt management. Double diget interest rates only feed inflation. Not until rates decline and the Treasury

can roll over, refund or advance refund at lower rates will the pressure ease.

You, I am sure, with your experience in the Treasury and the General Reserve Bank of New York, realize how important the viability of the government securities market is to the nation's credit markets. It has been disturbing to read of abuses surfacing in some of the Federal Agency markets and the "for sale" or "going out-of-business" signs among some of the reputed government bond dealers and inventory losses reported by bank bond departments and dealers alike. Greed has to be at the bottom of some of the problems but lack of professional expertise covers many of the sensitive situations.

The Treasury, Fed and the Agencies to need a strong dealer network to insure stable markets, successful flotation of new debt and profitability. Undue risks or unnecessary risks, inadequate capital, trading practices which tend to manipulate markets and the lack of a reservoir of skilled professional personnel to staff dealer organizations weakens the marketplace. I would hope that as your battle against inflation progresses you would want to have a joint Treasury-Federal Reserve study of the structure and composition of the government securities market ... better still - to encompass all of the credit markets as money market instruments, corporate and municipal debt are closely interwoven with the government securities market.

Paul, I hope you don't mind these observations from the sidelines - too often practitioners tend to be self-serving as decisions have a profitability impact - yet in this case the beneficiaries are the people and their interests must be paramount.

With all good wishes.

Sincerely,

AMB:eh

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

PAUL A. VOLCKER
CHAIRMAN

November 21, 1979

Dear Alan:

Thanks so much for your thoughtful letter and I certainly agree as to the need for strong and viable markets for government and government related debt. As to your suggestion, we have recently completed a major study of the "futures" markets in government securities and are about to kick off another major effort in the government guaranteed markets. But, your underlying point is well taken -- it is difficult to keep abreast of these fast moving markets.

Sincerely,

Paul

Mr. Alan K. Browne
Consultant
2101 Davis Drive
Burlingame, California 94010

THE WHITE HOUSE

WASHINGTON

15 October 1981

Dear Alan:

It was good to hear from you, and I appreciate your giving us the benefit of your keen insight where Wall Street and the financial community are concerned. Hearing from people with your expertise that the Administration is on the right track is certainly a shot in the arm, and a welcome affirmation of our beliefs.

Because of your comments, I am sharing your letter with Roger Porter of the Office of Policy Development so that he too can benefit from your knowledge in this area.

With my gratitude for your support and best personal regards,

Sincerely,

Edwin Meese III

EDWIN MEESE III
Counsellor to the President

Mr. Alan K. Browne
Apartment 6
1113 Singingwood Court
Walnut Creek, CA 94595

EDMUND G. BROWN
GOVERNOR

State of California
GOVERNOR'S OFFICE
SACRAMENTO

November 12, 1963

Mr. Alan K. Browne, Vice President
Municipal Bond Department
Bank of America
300 Montgomery Street
San Francisco, California

Dear Alan:

I just want to express my sincere thanks to you for serving as a member of the Governor's Commission on Metropolitan Area Problems.

Your deliberations and excellent report formed the basis for the urban proposals which I submitted to the 1963 Legislature. I hope that you are as pleased as I am with the machinery which we set up to control the growth of our metropolitan areas.

Another accomplishment which I trust you will share with me is the establishment of the Coordinating Council on Urban Policy. With its statutory status and modest budget, I feel certain that this agency will be equipped to continue the good work which you started.

The progress which we have made to date is due largely to your personal sacrifices and contributions. Please accept my deepest gratitude for the service you have rendered.

Sincerely

EDMUND G. BROWN, Governor

BANK OF AMERICA NT & SA
1963 NOV 14 AM 8:57
MUNICIPAL BOND DEPT.
RECEIVED

State of California
GOVERNOR'S OFFICE
SACRAMENTO 95814

RONALD REAGAN
GOVERNOR

November 21, 1968

Mr. Alan K. Browne, Senior Vice President
Bank of America
300 Montgomery Street
San Francisco, California 94120

Dear Mr. Browne:

I am sending you the enclosed complimentary copy of the Task Force report in appreciation of your active participation as a Resource Member of my Task Force on Transportation.

The report represents literally thousands of hours of effort on the part of over one hundred people in and out of government; it represents neither consensus nor compromise, but is the meaningful result of interested citizens sitting together and coming to grips with questions and problems relating to an enormous and important matter. This, the involvement of the citizenry in government matters, is the essence of the Creative Society.

The people of the state and I thank you for your willingness to lend your expertise in the work of the Task Force.

Sincerely,

Ronald Reagan

RONALD REAGAN
Governor

Enclosure

21 April 1987

Mrs. Willa K. Baum, Division Head
Regional Oral History Office,
The Bancroft Library
University of California,
Berkeley, 94720

Dear Willa:

Enclosed are some "drafts" of OIO material I put together around 1971 I wanted to keep some sort of a record of the various organizations and activities I was engaged in. Most are hand written and so may be difficult to read but that they would be helpful as they reflect my estimate in 1971. If difficult to transcribe I will have them typed.

Best Regards!

Alan K. Browne

x

GOVERNOR'S CITIZENS COMMITTEE ON TAX REFORM

was appointed to the Committee by Govern. Reagan and served as vice Chairman under Lee Kaiser.

Committee met for over a year with members of the State Dept of Finance and a Tax Consultant firm providing assistance.

The Committee's report was submitted to the Governor but never got off the ground. A staff member of the Governor leaked out of context some

of the Committee's recommendations which brought the press down hard. The Governor never made a forthright statement on the Committee's role but indicated his expectation had not been met.

Actually it was a good report particularly on the use of a value-added Tax. Howard the report was made available to Hardy Flournoy, State Controller, who headed a new Governor's Commission and some of our Committee's recommendations were incorporated in the Commission's final report.

Friends of The San Francisco Public Library

When asked to join the Friends, I learned that I was faced with the problem of helping three groups who had formed separate organizations to achieve a common goal - the improvement of San Francisco's Library System.

This was accomplished by writing the Constitution and By-laws, achieving a non-profit Status and establishing a workable method of seeking new memberships and corporate financial support.

I became the Friends first President and subsequently Chairman of the Board.

While not taking an active role, I still serve on the Board and advise the Friends on financial matters, particularly on proposals for a G.O. bond issue to finance a new main building.

The bank has contributed to the Friends Support

SAINT FRANCIS HOSPITAL ASSOCIATES

I accepted membership in the Associates at the request of Roland Pewitt. Unfortunately it soon became apparent that the Associates were expected to contribute substantially as individuals. After the pressure became obvious, I resigned.

INVESTMENT BANKERS ASSOCIATION OF AMERICA

(California Group)

My participation in the California Group has dated since 1937 when I became a member of the Municipal Securities Committee and Legislation Committee.

Following World War II I again became a member of the Municipal Securities Committee, serving two years as Chairman, which also made me a member of the National Municipal Securities Committee.

Normal procedure would have been for me to become a member of the group's Executive Committee, serve as Secretary-Treasurer, Vice Chairman and Chairman. This would be followed by election to the Board of Governors of the National Association. Unfortunately this was a period of petty jealousy and certain interests blocked my ascendency, meanwhile pushing their candidates. Not tobe deterred, I kept after the Executive Committee and finally was elected to the Board of Governors of the National Association, serving three years.

As a result of my experience I have pushed hard to see my associates given representation and have been successful in Art Cooke becoming Chairman of the Municipal Securities Committee and Lee Prussia a member of the Executive Committee.

My current role is that of a senior counsellor on policy matters.

SAN FRANCISCO BOND CLUB

Became a member in 1935 and over the years served successively as Secretary-Treasurer, Chairman of the Membership Committee, Chairman of a Committee to revise the constitution and by-laws, Vice President, President, Director, Archivist and currently an honorary member, having been an active member for 35 years. Also Chairman of the Past Presidents Council.

Revised the constitution and by-laws which led to a rejuvination of the club after a post XXXXX WW II decline in membership and interest.

Conducted an opinion survey of the membership to determine program and objectives. As president, presented a completely new image, including membership cards, stationery, reports and programs. Held the first founder-past presidents dinner. Initiated several new annual awards.

Since this term the Club has grown and is the senior securities organization on the West Coast to which most eligible applicants seek membership.

In 1958 received the annual Arnold Grunigen award as "The Outstanding Investment Banker" of the year.

MUNICIPAL BOND CLUB OF SAN FRANCISCO

This is a successor to the No-Quarter Club (referring to the giving of dealer discounts on municipal bonds) organized in the 1920's to discuss industry problems. It comprised a single representative of each of San Francisco's municipal bond dealers, including banks.

After serving as a non-member reseach analyst, became a member and in due course was instrumental in its re-organization, writing the constitution and by-laws. Served as the first secretary-treasurer and then as president and a member of the board of directors. Did not renew my membership in recent years in order that my younger associates could become members due to a membership limitation on the number from each firm.

During my active participation, which was in the 1930's, developed and distributed an annual taxpaying record of California cities and counties, outstanding debt and a compendium of school, high school and junior high school districts in California.

Obtained the services of Rand McNally Co. to produce large size maps of California counties showing all taxing districts.

The merging of the No-Quarter Club into the Municipal Bond Club of San Francisco brought a larger segment of the investment community into a common organization. It provided a base for the California Municipal Securities Dealers Association, required under the NRA, which ultimately was declared unconstitutional and the statewide association lapsed. However, by virtue of the effort, the San Francisco and Los Angeles financial communities were linked, and while maintaining separate identities, worked together on matters of common interest, which still continues.

The Municipal Bond Club became a forum for discussions and the presentation of view of guest speakers. While the format has changed, there now appears to be a strong undercurrent for the creation of a new Statewide dealer group.

NO QUARTER CLUB *

CODE OF FAIR PRACTICE

ADOPTED MAY 18, 1939
AMENDED JUNE 22, 1939

1. LIST PRICES: ALL MUNICIPAL BONDS SHALL BE OFFERED AT THE SAME PRICE TO ALL CUSTOMERS AT ANY ONE TIME. THIS PRICE SHALL BE KNOWN AS THE LIST PRICE AND MAY OR MAY NOT BE PUBLISHED. THE LIST PRICE MAY BE CHANGED AS FREQUENTLY AS THE OWNER DESIRES. LIST PRICES SHALL BE ON WHAT IS KNOWN AS A BASIS PRICE, EXCEPTING NEW ISSUES, ODD-RATE BONDS SELLING AT PAR, AND BONDS THAT CUSTOMARILY ARE QUOTED AT DOLLAR PRICES (SEE 2 BELOW). BASIS PRICES MUST BE IN MULTIPLES OF .05% IN YIELD.

2. LIST PRICES: ALL CALIFORNIA AND OUT-OF-STATE MUNICIPAL BONDS QUOTED AT DOLLAR PRICES SHALL BE OFFERED TO RETAIL ACCOUNTS IN MULTIPLES OF 1/8 OR ON BASIS PRICES IN MULTIPLES OF .05% IN YIELD.

3. CONCESSIONS: NO CONCESSION OR DISCOUNT FROM THE LIST PRICE MAY BE ALLOWED TO ANY FIRM, INSTITUTION, OR INDIVIDUAL, WITH THE EXCEPTION OF THOSE LISTED BELOW. THESE EXCEPTIONS ARE GROUPED INTO THREE CLASSIFICATIONS FROM THE STANDPOINT OF MUNICIPAL BOND DEALERS.

(A) MEMBERS OF THE CALIFORNIA SECURITY DEALERS ASSOCIATION AND OR NO QUARTER CLUB AND LOS ANGELES MUNICIPAL BOND CLUB, ALSO CERTAIN BRANCH OFFICES OF OUT-OF-STATE FIRMS.

(B) ALL OTHER DEALERS AND STOCK EXCHANGE MEMBERS OR BROKERAGE FIRMS NOT TABULATED UNDER (A).

(C) CERTAIN METROPOLITAN BANKS WHICH MAINTAIN A NOMINAL BOND DEPARTMENT FOR THE SOLE PURPOSE OF EXECUTING ORDERS FOR CLIENTS AND BUYING FOR THEIR OWN INVESTMENT.

GROUP (A) MAY RECEIVE THE REGULAR DEALER DISCOUNT IN THE CASE OF NEW SYNDICATIONS, OR IN THE CASE OF SECONDARY MARKET OFFERINGS, MAY RECEIVE THE MAXIMUM DISCOUNT OFFERED BY THE DEALER OWNING THE BONDS. ORGANIZATIONS TABULATED IN CLASS (B) AND CLASS (C) WILL RECEIVE A DISCOUNT OR CONCESSION NOT TO EXCEED 1/4 OR 1% FROM THE LIST PRICE OF THE BONDS UNLESS IT HAPPENS TO BE A SYNDICATE OFFERING OR AN OFFERING BY SYNDICATE MEMBERS, IN WHICH EVENT THEY ARE TO RECEIVE THE CONCESSION AGREED UPON BY THE SYNDICATE. MUNICIPAL BOND DEALERS TRANSACTING BUSINESS WITH A STOCK EXCHANGE OR BROKERAGE FIRM UNDER (B) AND BANKS UNDER (C) SHOULD INSTRUCT THEM AT THE TIME OF CONFIRMING BONDS THAT THIS CONCESSION IS NOT IN ANY WAY TO BE PASSED ON TO THE CLIENT, AND IF THEY ARE ACTING IN THE CAPACITY OF AGENT, THE BONDS SHOULD BE CONFIRMED AT A NET PRICE AND THE CONCESSION RETAINED BY THEM AS A COMMISSION.

THE FOLLOWING STATEMENT IS TO BE INCLUDED IN THE CONFIRMATION AND INVOICE AS PART OF THE TRANSACTION, PREFERABLY RUBBER STAMPED, WITH THE EXCEPTION OF BANKS UNDER CLASS (C) WHO STATE AT THE TIME OF THE TRANSACTION THAT THEY ARE PURCHASING THE BONDS FOR THEIR OWN ACCOUNT.

"IT IS UNDERSTOOD THAT IN THIS TRANSACTION YOU ARE CONFIRMING BONDS AT NET PRICES. THE CONCESSION WE ARE ALLOWING IS TO BE RETAINED BY YOU AS YOUR PROFIT IF ACTING AS PRINCIPAL OR AS YOUR COMMISSION IF ACTING AS AGENT AND IT IS NOT TO BE REALLOWED TO YOUR CLIENT".

JULY 24, 1939. NO QUARTER CLUB

* Municipal Bond Dealers Association (California), informally known as the No Quarter Club

List (A)

OAKLAND

Cochrane, Mehan & Ayer
George H. Grant Co.
Frank Knowlton & Co.
Mason Brothers
Richards & Co.
Stephenson, Leydecker & Co.
C. N. White & Co.

SAN FRANCISCO

* American Trust Company
* The Anglo California National Bank of San Francisco
H. R. Baker & Co.
* Bankamerica Company
*# Bank of America N. T. & S. A.
W. H. Bennett & Co.
* Blyth & Co., Inc.
F. M. Brown & Co.
* Brush, Slocumb & Co.
Burney & Co.
H. A. Carolan
Wm. Cavalier & Co.
*# The Chase National Bank of the City of New York
X C. F. Childs
X Charles Clark & Co.
Conrad, Bruce & Co.
Davis, Skaggs & Co.
Denault & Co.
X C. J. Devine & Co., Inc.
Donnellan & Co.
Calvin E. Duncan & Co.
* Eastland, Douglass & Co.
Edgerton, Bourne & Co.
Elworthy & Co.
*# First Boston Corporation
Maxfield H. Friedman
Gibbons & Hegg
Greenwood-Pasalo & Co.
X Halsey, Stuart & Co., Inc.
Hannaford & Talbot
* Harriman, Ripley & Co., Inc.
* Heller, Bruce & Co.
Henderson & Co.
Hill Richards & Co.
*# Kaiser & Co.
Max I. Koshland & Co.
* Lawson, Levy & Williams
Leppo & Company
M. P. Lilienthal
Irving Lundborg & Co.

SAN FRANCISCO (Continued)

Marson & Company
*# Mercantile Commerce Bank & Trust Co.
Revel Miller & Co.
Mitchum, Tully & Co.
* R. H. Moulton & Co.
Protected Investors of America
E. H. Rollins & Sons
*# Sargent, Taylor & Co.
* Schwabacher & Co.
Shafft, Snook & Cahn
Shaw, Hooker & Co.
Paul A. Sinsheimer
* William R. Staats Co.
L. Paul Steffen
Stone & Youngberg
J. S. Strauss & Co.
Supple, Griswold & Co.
Sutro & Co.
Walston & Company
* Weeden & Co.
Wilson, Johnson & Higgins
* Dean Witter & Co.
X Wood, Struthers & Co.
Wulff, Hansen & Co.
Hazel Zimmerman

SAN JOSE

H. H. Buchanan & Co.
H. Irving Lee & Co.

STOCKTON

Holmes & Sandman

List (C)

Crocker First National Bank
Wells Fargo Bank & Union Trust Co.

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* - NO QUARTER CLUB MEMBERS

\# - NO QUARTER CLUB MEMBERS, BUT NOT MEMBERS OF THE CSDA

X - BRANCH OFFICES OUT-OF-STATE FIRMS NOT MEMBERS OF THE CSDA

JULY 24, 1939. - S. F.

List (A)

LONG BEACH

Halbert, Hargrove & White
Morrison Bond Co., Ltd.
Wilson Associates

LOS ANGELES

Akin-Lambert Company
* Bankamerica Company
* Banks, Huntley & Co.
Bateman, Eichler & Co.
Bayly Brothers
Curtis H. Bingham & Co.
* Blyth & Co., Inc.
David E. Bradley
G. Brashears & Company
Calvin Bullock
Butler Huff & Co.
#* California Bank, Bond Dept.
Quincy Cass Associates
* Wm. Cavalier & Co.
Cavanaugh, Morgan & Co., Inc.
Kenneth D. Clark & Co.
Conrad Bruce & Co.
Crowell, Weedon & Co.
Distributors Group, Inc.
* District Bond Co.
Nelson Douglass & Co.
Edgerton, Riley & Walter
Ehni, O'Neil & Wood, Inc.
Eldred Potter & Co.
Fairman & Co.
#* First Boston Corporation
Fox, Courteney & Castera, Inc.
D. G. Grant Company
R. N. Gregory & Co.
Guardian Investors Corporation
Mark H. Harrington & Co.
Hass, Barnes & Maxwell
* Hill, Richard & Co.
Hopkins, Hughey & Anderson
Hurry Hilgers & Co.
William H. Jones & Co.
#* Kaiser & Co.
Laswell & Company
Leimert-Krieger & Co.
Leo & Curtis, Inc.
Lester & Co.
M. H. Lewis & Co.
Hugh W. Long & Co., Inc.
Longan, Dunn & Philleo
William A. Lower & Co.

LOS ANGELES (Continued)

Massachusetts Distributors, Inc.
Metzler & Co. of California
Revel Miller & Co.
Mitchum, Tully & Co.
Morrison Bond Co., Ltd.
* R. H. Moulton & Company
* O'Melveny, Wagenseller & Durst
O'Neil & Co.
Pacific Capital Corporation
* Pacific Company of California
Page, Hubbard & Asche
Pledger & Co., Inc.
* Redfield & Co.
E. H. Rollins & Sons, Inc.
#* Sargent, Taylor & Co.
Schramm, Eddels & Company
* Schwabacher & Co.
Morton Seidel & Company
#* Security First Natl. Bank, Bond Dept.
Sinclair Dunlap & Co.
Spear Teviotdale & Co.
William R. Staats Co.
Stern, Frank & Meyer
Howard Throckmorton
Turner Poindexter & Company
Van Denburgh & Bruce, Inc.
* Weeden & Co.
C. L. Wells & Company
White, Wyeth & Co.
Witherspoon & Company, Inc.
* Dean Witter & Co.

PASADENA

Leo G. MacLaughlin & Co.
Geo. R. Miller & Co., Inc.
Pasadena Corporation

SAN DIEGO

Dewar & Company
Miller Hall & Co.
Roger K. Williams & Co.

SANTA MONICA

William Keane Company

List (C)

SAN DIEGO

First Natl. Trust & Savings Bank
San Diego Trust & Savings Bank

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* LOS ANGELES MUNICIPAL BOND CLUB MEMBERS
\# LOS ANGELES MUNICIPAL BOND CLUB MEMBERS, BUT NOT MEMBERS OF THE CSDA

July 25, 1939, L.A.

FINANCE

All the News of the Hire of the Dollar

Rudolph A. Peterson Alan K. Browne Clarence H. Baumhefner

. . . "men on the spot" for managing Bank of America's $3.5 billion portfolio

AUGUST, 1965 75 Cents Per Copy

Bank of America's chief executive officer Rudolph A. Peterson (right) goes over data with Baumhefner and Browne.

"Men on $pot" for Inve$tment$

Outside of the U.S. Government, Probably No One Is Responsible for Handling More Money in a Routine and Efficient Manner than Alan Browne and His Investment Securities Group

WHEN the Bank Investment Securities Division of Bank of America opened a representative's office on Wall Street this month, it marked another long stride forward in a very active year. These are the highlights.

- The Government, Municipal Bond and Securities Departments were merged earlier in the year to form the new division, under vice president Alan K. Browne.
- The bank's several investment portfolio functions were placed under a single portfolio administration, charged with managing the bank's $3.5 billion of investments.
- The bank's activities as a dealer in Government bonds took on new dimensions.
- The $1 billion a day money market activities were placed under a single administration, strenthening the bank's position as leading money market dealer in the west.
- As an investment banker, the bank bought more than $800 million of municipal bonds in the past 12 months.
- The drive to educate voters on the need for municipal improvements financed by bond issues was stepped up.

C. E. Pierson, New York correspondent, gives the bank a "man-on-the-spot" in the eastern money markets and is one more manifestation of the Bank of America's drive for a top role in the Government bond market. Besides making full use of the three-hour time differential between New York and the west coast, it gives eastern customers ready access to all the services and savvy of the Bank Investment Securities Division.

Formation of the division was long in the planning stage. Organizationally, it comes under the cashier's department, headed by Clarence H. Baumhefner, vice president, who reports directly to president Rudolph A. Peterson.

Vice president Browne has this to say of the new alignment. "The restructuring of our several bond and securities departments will provide expanded service to our customers, who can get a run down on the money market and bond market developments with one inquiry or phone call."

Alan K. (for Kingston) Browne, the man who heads the whole operation, is a big man of prodigious energy who somehow manages to make a killing schedule look easy. Al, as he is known to friends, has 36 years in the investment banking business behind him, all with Bank of America. He directs the division from a large, corner office on the ninth floor of the block-long headquarters building of Bank of America on San Francisco's Montgomery Street. (The division occupies the entire ninth floor and a good piece of the basement.)

Despite the demands of his job, he is deeply involved in a multitude of professional, civic and charitable activities. His activities in these fields, past and present, fill more than four pages, single spaced, of his official biography on file at the bank. Here are just a few of his credentials: governor of the Investment Bankers Association of America; past president of the San Francisco Bond Club, which in 1958 named him Investment Banker of the Year; past president of the San Francisco Chamber of Commerce; Member of Governor Edmund G. Brown's committee on water and transportation and metropolitan area problems; chairman of the advisory board on financing the San Francisco Bay Area Rapid Transit District; president of San Francisco Stadium, Inc., and a key figure in bringing the New York Giants to San Francisco.

His stature in the investment banking field places him in great demand as a speaker and he averages a major address a month. For both business and professional reasons, he travels often and has logged well over a million air miles. Al espouses causes with tenacity and has twice testified before

At head of investment banking administration is vice president Ted Griffinger shown here with his principal assistants Ashley, Prager and Micheletti.

Leland S. Prussia, Jr., vice president, portfolio administration, with aids James Reed, Joseph J. Buzzo, Alan V. Bartlett and Walter J. Gudat.

Carefully checking negotiable securities in vault at Bank of America are Henry C. Ehlen, asst. vice pres. (left) and Edward Coppola, asst. cashier.

the House Banking and Currency Committee in support of a bill to permit commercial banks to underwrite revenue bond issues. For a number of years, he has campaigned against unsound municipal financing which bypasses the voters and is more costly. In his limited leisure, he pursues his hobbies of stamp collecting, book collecting (emphasis on Californiana) and gardening.

A few doors down the hall from Browne is the office of Theodore A. Griffinger, who heads investment banking administration. Tall, trim Ted Griffinger is an avid skier and tennis player when not engaged in administering one of the largest investment banking operations in the nation. Reporting to him and in charge of the Government Bond Dealer Department is assistant vice president William E. Ashley, and Municipal Bond Dealer Department with vice president Lawrence H. Prager in charge. Next door to Griffinger is a long room which houses the Government and municipal bond trading operations. Here traders man the telephone turrets that provide direct lines to local brokerage offices and to major Government bond dealers. Prices and spreads on a wide variety of bond and money market indicators are posted on large boards in front of them.

Bu$ine$$ a$ U$ual

On the day FINANCE visited the trading room, the turret lights were blinking and the phones in constant use because of a very active market in Treasury bills, other money market instruments and Government bonds. The Government trading desk will do between $100 and $200 million in these securities a day. About midway down the room is the Money Market Center, which among other things handles from $500 million to $1 billion of federal funds and repurchase agreements a day.

The municipal trading section does one of the largest trading volumes in the secondary market of any dealer in the nation. The volume in California municipals is especially significant. Whenever the bank is successful bidder on a California municipal offering, it is policy to make a firm secondary market in the issue. This gives the market for Californians a great boost and guarantees them a market, a fact the investment community has long recognized.

C. E. Pierson
. . . New York correspondent

"What astonishes people in the east is the tremendous number of California issues," Griffinger says. "There were 568 separate issues in 1964. We bid on virtually all of them. So you can see it keeps us busy."

Rapid postwar growth of California posed weighty problems for California communities. How to finance all of the new schools,, hospitals, police and fire stations, waterworks and other public needs? Thanks to Al Browne's missionary work in the east, and the Bank's painstaking build-up of syndicates composed of investment bankers from all parts of the U. S., the job was done. California municipals sell at prices comparable to the rest of the country despite their great volume.

A syndicate may be made up of as few as one or two partners or as many as 300. The latter is the case when Bank of America forms a syndicate to bid on State of California issues, which usually run from $100 million to $150 million a crack.

On a state issue, the spadework begins several weeks in advance. As the date for opening the bids approaches, the tension mounts. The day before the bid is opened a syndicate meeting is held at 3 p.m., either in San Francisco or New York, to reach a general agreement on price. At 8 a.m. the day of the offering, a final meeting is held and the bid is finalized. At 10 a.m. the bids are opened in the office of the state treasurer in Sacramento.

"A big sale is a great morale booster because it does get exciting during the countdown," Griffinger says. "When we win a state issue we don't have time to cheer or throw our hats in the air because that's the time the real work begins."

A few figures illustrate the bank's preeminence in California municipal finance. In the years 1946-1964, there were about $12.4 billion of California municipal bonds sold and Bank of America bought $6.6 billion of them, or 53.5 per cent. During the period, 9,370 issues came to market, and the bank bought 3,973 of them, or about 42.5 per cent. Most of the $1.8 billion the bank did not bid on were revenue issues on which banks are at present ineligible to bid on.

The task of administering the bank's $3.5 billion investment portfolio is assigned to portfolio administration, headed by Leland S. Prussia, Jr. The 36-year old economist and bond market authority joined the economics department of the bank just nine years ago. Prussia is a bright, facts-at-the-fingertips person, who rose rapidly at the bank to the position of vice president in July of this year. His membership reflects his interests: American Economics Association, American Finance Association, Security Analysts of San Francisco, San Francisco Bond Club. For relaxation he may stroll in still unspoiled Glen Canyon Park below his house atop Twin Peaks in San Francisco or tend his bonsai (dwarf tree) collection.

At Heart of Operations

"What makes this job so interesting is it is right at the heart of the bank's operation," he says. "Portfolio administration is in charge of managing the bank's money position. It is the most interesting aspect of the bank in terms of getting the broad picture of how the bank manages its resources."

The bank's portfolio is used something like a bellows, he states. When loan demand is high, it can sell off securities. When loan demand decreases, it can buy securities. But it must keep a weather eye on the bank's liquidity position. And liquidity is usually maintained at the expense of income.

Public deposits have important bearing on the liquidity ratio. When a community deposits a sum of money in a bank, state law requires the bank

Herschel Cardin
. . . in charge at Los Angeles

must have 110 per cent of the dollar value of the amount in collateral.

The first thing portfolio administration does each day is to check the market. The day-to-day position of the bank's reserve requirements are scanned and reported weekly to the Federal Reserve Bank. It keeps detailed records of the inflow and outflow of deposits. It tries to anticipate big forthcoming deposits or withdrawals by keeping close records. And it keeps a watchful eye on the cash flow in and out of the bank. The staff sits down with the economics department frequently to go over the outlook for California, the nation, and the world. This enables it to move from forecasting and planning into action with the best chance of success.

One of the most valuable sections of portfolio administration is credit review and analysis. This section has the job of keeping on top of financial conditions in the more than 10,000 authorized issuing agencies in the state. As a result, it is a storehouse of information on California, one of the richest sources of data on the state. The section makes frequent studies of California and its metropolitan areas and they are published in handsome brochures which are sent to financial institutions who purchase municipal bonds. The brochures outline in great detail the resources that stand behind the taxing powers of the areas.

Biggest branch of the Bank Investment Securities Division in terms of

people employed is deliveries and accounting administration, headed by Henry C. Ehlen, assistant vice president. Whenever a purchase or sale is made, the very considerable amount of paperwork, as well as the physical handling of the securities, falls in the realm of deliveries and accounting administration. Tickets giving all the necessary information on a transaction are written on the ninth floor and sent to the large vault room in the basement for processing.

The basement room is windowless except for a wide expanse of bullet-proof glass across the front. There are three gun slots through the glass, happily never yet used. Behind the glass, a busy staff is at work at two dozen desks processing orders. To the left is the vault itself, its 20-ton door standing open. Within the vault, there are five desks behind a wire grill where the bonds are received and stored or shipped. There are about $750 million of bonds in the vault at any given time, stored in steel filing cabinets. An automatic coupon clipper, designed by the bank's engineering staff, clips 100 coupons at a time.

To ship bonds, the bank uses Brink's Air Courier service to the larger cities and in insured, registered mail to the smaller cities. The air courier provides overnight delivery to New York. On a big California issue, the bonds are picked up by an armored car shortly after 10 a.m. and are in the vault by noon ready for processing.

To serve the sprawling, heavily populated southern California area is Bank Investment Securities Division-South. Vice president Herschel Cardin is administrative officer. The division's southern office has all the departments and services of the northern office, with the exception of portfolio administration. It operates out of Bank of America's Los Angeles headquarters office at 650 South Spring Street. BISD-South has expanded steadily with the growing importance of Southern California municipal offerings vis-a-vis the California bond market.

Long before a bond issue is bought or a bond is traded, the Bank Investment Securities Division is preparing the way through a novel advertising approach at the community level, a program directed by Al Browne and administered by N. Harris Ades, assistant vice president and administrative assistant-investments. There are two series, the first of which runs in advance of a bond election. There are several ads in the series, with different art and copy treatments. The copy stresses the advantages of good community facilities and how they benefit property values and the credit standing of the community.

The second series of ads runs after the bank has bought a municipal bond issue. The headline stresses that the bond issue represents a vote of confidence in the community or district, that the bonds were sold at competitive bidding to get the lowest interest rates, that they enhance property value, and that their tax-exempt status makes them attractive for investment. In place of the customary tombstone ad, a small lined box at the bottom of the ad gives the legal information of the tombstone in condensed form.

Thus from conception until the final maturity falls due, on issues large or small, Bank of America is on top of the California bond market, to the benefit of the state.

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